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Commonwealth of Virginia

Report of the Comptroller to the Governor of Virginia— A Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1988

Gerald L. Baliles
Governor

Stuart W. Connock
Secretary of Finance

Edward J. Mazur
Comptroller

Prepared by: The Department of Accounts

Design and graphics by: The Office of Graphic Communications
Virginia Department of General Services

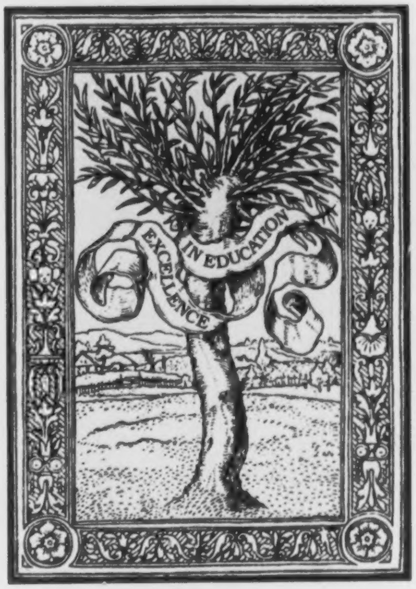
Grateful acknowledgement is given to Dr. Gordon K. Davies, Dr. J. Michael Mullen, and Ms. Marla G. Richardson, of the State Council of Higher Education, for their efforts in preparing this year's Special Report on Higher Education in Virginia.

Additional copies of this report may be obtained from the Comptroller, Commonwealth of Virginia, P.O. Box 6-N, Richmond, Virginia 23215.

Pictorial Theme of Report—Higher Education in Virginia

TREE OF LIFE

The tree is a ubiquitous symbol of knowledge in human culture. Rooted firmly in the earth, its branches reach toward the other fundamental elements of being: the sun, rain, and wind. It grows slowly but constantly, endures for generations, and sustains life.



From root to branch, the tree symbolizes the common origin of all knowledge and its general diffusion from a single source. Emblazoned with the words "Excellence in Education," the banner draped across its branches affirms Virginia's commitment to make its schools, colleges, and universities second to none.

The first Europeans to settle Virginia's shores were convinced that they had come to a new "Garden of Eden," a land in which they could make a fresh start, far from the wars and politics of the Old World.

Within decades, they founded a college chartered by the English crown, the College of William and Mary, to help meet Virginia's need for trained civil servants and ministers. It is the second oldest institution of higher education in the nation.

Since the end of the 17th century, Virginia has maintained its commitment to advancing and improving higher education. Thomas Jefferson, a graduate of William and Mary, presented a plan for a "more general diffusion of knowledge" that included two major institutions—William and Mary and the new University of Virginia—with branch campuses placed within a day's horseback ride of every Virginian.

Jefferson's vision was realized with the creation of the Virginia Community College System in 1966 to provide higher education opportunities to areas not previously being served by other colleges and universities. This comprehensive system of state-supported colleges and universities now provides convenient access to every Virginian who wants to benefit from higher education.

Within this system, there are highly competitive institutions, major research universities, small residential colleges of the arts and sciences, urban universities with many commuting students, and community colleges with a variety of professional and technical programs.

Along with this network of state-supported institutions is a strong set of independent, private colleges and universities some of which are among the most prestigious in the nation. The public and private sectors combine to make higher education an extremely valuable resource of the Commonwealth.

The development of Virginia higher education is far from over. Recent major gains in faculty salaries, access to funds for equipment, and creation of highly competitive research centers, to name only a few initiatives, have moved Virginia into a leadership role in higher education. Technological advances have made possible a "diffusion of knowledge" greater than Jefferson could have conceived. Virginia's colleges and universities are no longer limited by geography. For many, the day's horseback ride or the hour's drive by automobile has been rendered unnecessary by the electronic delivery of higher education directly to the workplace.

Photographs of Virginia's colleges and universities form the pictorial theme for this year's Comprehensive Annual Financial Report of the Comptroller. This pictorial theme is amplified by a Special Report on Higher Education in Virginia.

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Office of the Comptroller

December 15, 1988

Edward J. Mazur, C.P.A.
Comptroller

P.O. Box 6-N
Richmond, Virginia 23215

The Honorable Gerald L. Baliles
Governor of the Commonwealth of Virginia
State Capitol
Richmond, Virginia

Dear Governor Baliles:

I am pleased to submit to you my report on the financial condition of the Commonwealth of Virginia for the fiscal year ended June 30, 1988, in compliance with the provisions of Section 2.1-207 of the *Code of Virginia*. This comprehensive annual financial report has been prepared in conformance with generally accepted accounting principles, as established by the Governmental Accounting Standards Board (GASB), and has earned an unqualified audit opinion. This report has been prepared by the Department of Accounts, whose management is responsible for the integrity and objectivity of the financial statements and other information presented herein. Responsibility for the accuracy of the data presented, completeness and fairness of presentation, including all disclosures, rests with the Department of Accounts. The financial statements are considered by management to present fairly the Commonwealth's financial position, results of operations, and changes in fund balances. I believe the data presented is accurate in all material respects and that all disclosures necessary to enable the reader to obtain a thorough understanding of the Commonwealth's financial activities have been included.

This comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The Introductory Section includes this transmittal letter with an accompanying financial highlights section, as well as special reports on major initiatives of the Commonwealth, Virginia's economy, and higher education. The Financial Section includes the audit opinion of the Auditor of Public Accounts, the general purpose financial statements, and the combining and individual fund and account group statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

Internal Controls

Management within the Commonwealth is responsible for the establishment and maintenance of internal accounting controls designed to ensure that assets are safeguarded and that financial transactions are properly recorded and adequately documented. Such internal controls require estimates and judgments from management so that, in attaining reasonable assurance as to the adequacy of such controls, the cost of controls does not exceed the benefits obtained. I believe the Commonwealth's internal accounting controls adequately safeguard its assets and provide reasonable assurance as to the proper recording of financial transactions.

The State also maintains certain budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the biennial budget approved by the General Assembly. The development and approval of the biennial budget is, in essence, the beginning of the financial transaction process. After approval of the budget by the General Assembly, budgetary control is maintained by a formal appropriation and allotment system. The budgeted amounts reflected in the accompanying financial statements represent summaries of departmental or agency budgets by "program."

Reporting Entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) describes the criteria for determining the organizations, functions, and activities which should be included in the financial statements of the Commonwealth. The criteria for inclusion are determined on the basis of accountability for fiscal matters, selection of governing authority, scope of public service, and the ability to significantly influence operations. The organizations outlined on page 56 of the Notes to the Financial Statements meet the oversight criteria established by the GASB Codification and have been included in the Commonwealth's financial statements.

General Fund Condition—Budgetary Basis

The General Fund is an important point of focus in determining the overall financial condition of the Commonwealth. Virginia uses the cash basis of accounting for budgetary purposes. Under this basis, revenues and expenditures are recorded at the time cash is actually received or disbursed in accordance with the provisions of the Appropriations Act. This basis of accounting is widely accepted for budget purposes and has been used in Virginia for many years. This report includes statements and schedules that present the financial activity of the General Fund of the Commonwealth on a cash basis.

Figure 1 illustrates the fund balances of the General Fund at the end of each fiscal year since June 30, 1984, and highlights the undesignated portion. The undesignated portion, which was $121.2 million at June 30, 1988, denotes the surplus that existed at the end of each fiscal year. The surplus for June 30, 1988, however, does not reflect a material transfer required by Ch. 9, 1987 Va. Acts 13, 19. Chapter 9 stipulates "that the amount by which Virginia's individual income tax revenues, because of federal tax reform, exceed the Governor's latest official estimate of such revenues in fiscal year 1987–88 shall be transferred at the end of the 1986–88 biennium to a special nonreverting fund . . . ." As of the date of this report, the amount called for in Ch. 9 is not determinable. It is known, however, that the cumulative difference between individual income tax revenues collected in fiscal year 1988, and the Governor's official estimate of such revenues, amounted to $86.7 million. At this time, economists in the Department of Taxation are attempting to determine the portions of this amount attributable to federal tax reform and when such an amount is determined, the required transfer will be made.

Figure 2 illustrates the General Fund activity as planned by the General Assembly and as recorded in Chapter 643, Acts of Assembly and later revised by Chapter 723. The budgeted amounts for capital outlay include $111.4 million in reappropriations from prior years, plus $205.2 million in additional capital outlays authorized by Chapter 723.

Figure 3 illustrates the Governor's actions to stay within the limits of appropriations made by the General Assembly. The analysis

Figure 1 **General Fund Balance—Cash Basis—Highlighting the Undesignated Fund Balance**
(Dollars in Millions)

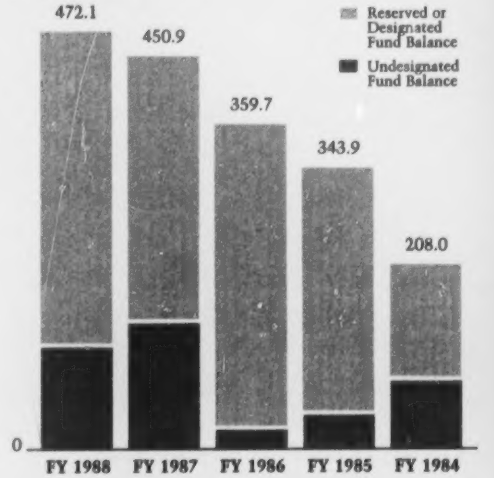


Figure 2 **Analysis of General Fund Budget**
(Dollars in Millions)

	1986-88 Biennium	Biennium Breakdown	
		FY 1987	FY 1988
Beginning Fund Balance:			
Operating	$ 177.2	$ 177.2	
Capital Outlay Reappropriations	111.4	111.4	
Total	288.6	288.6	$ 206.9
Estimated Revenues	9,393.2	4,508.6	4,884.6
Other Financing Sources	179.6	106.8	72.8
Total Available Funds	9,861.4	4,904.0	5,164.3
Appropriations (a)	9,543.1	4,599.8	4,943.3
Capital Outlay	316.6	97.3	219.3
Ending Fund Balance	$ 1.7	$ 206.9	$ 1.7

(a) Appropriations consist primarily of operating expenditures and transfers to the Higher Education Fund.

Figure 3 **Analysis of Budget vs. Actual General Fund Activity (a)**
(Dollars in Millions)

	Budget	Actual	Variance Favorable (Unfavorable)
Fund Balance, July 1, 1987	$ 450.9	$ 450.9	$ —
Revenues, ABC Profits, and Appropriations Act Transfers	5,011.5	5,120.1	108.6
Expenditures and Other Uses	5,143.4	5,098.9	44.5
Net Effect on Fund Balance	(131.9)	21.2	153.1
Fund Balance, June 30, 1988	$ 319.0	$ 472.1	$ 153.1

(a) This budget analysis includes subsequent executive appropriations, reappropriations, and transfers which are not included in Figure 2, Analysis of General Fund Budget.

Figure 4 **Summary of Accrued Receivables and Payables—General Fund**
(Dollars in Millions)

	FY 1988	FY 1987	Variance
Receivables and Accrued Revenues:			
Transfer of 4th Quarter ABC Profits to General Fund	$ 6.2	$ 6.4	$ (0.2)
Accounts Receivable	8.7	7.8	0.9
Sales Taxes Receivable	120.1	110.1	10.0
Withheld Taxes Receivable	152.7	136.6	16.1
Other Taxes Receivable	33.4	32.5	0.9
Prepaid Expense Accrual	12.2	—	12.2
Total Receivables	333.3	293.4	39.9
Payables and Accrued Expenditures:			
Tax Refunds Payable	35.2	34.3	0.9
Deferred Credit (on Withheld Income Tax)	237.9	282.0	(44.1)
Accounts Payable	70.9	90.2	(19.3)
Sales Tax Due to Localities	75.0	70.8	4.2
ABC Profits Due to Localities	3.4	3.7	(0.3)
Other Payments Due to Localities	24.9	1.5	23.4
Due to Other Funds	5.2	5.2	—
Total Payables	452.5	487.7	(35.2)
Payables and Accrued Expenditures Over Receivables and Accrued Revenues	$ (119.2)	$ (194.3)	$ 75.1

of budget versus actual performance is derived from the statement in this report entitled, "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds." As Figure 3 indicates, the Commonwealth received $108.6 million more in revenues, ABC profits, and Appropriations Act transfers than planned. The increased revenues and reduced expenditures resulted in $153.1 million more than planned being added to the fund balance of the General Fund.

General Fund Condition—Modified Accrual Basis

Although the Commonwealth budgets and manages its financial affairs on the accepted cash basis of accounting, the nation's financial community has encouraged states to also include, in their annual reports, financial statements that are prepared on the modified accrual basis of accounting. Under this basis, which more adequately serves their analytical and other needs, revenues are recognized when they become both measurable and available to finance operations of the fiscal year, or to liquidate liabilities existing at fiscal year end. Expenditures are recognized when a liability is incurred. These financial statements, therefore, reflect certain receivables and accrued revenues, amounting to $333.3 million, and certain accounts payable and accrued expenditures, amounting to $452.5 million. Accounts payable and accrued expenditures exceeded receivables and accrued revenues by $119.2 million at year end. These items, which are illustrated in Figure 4, are transactions associated with the year ending June 30, 1988; however, the cash will not be received nor disbursed until fiscal year 1989.

Analysis of Revenues and Expenditures—Budgetary Basis

Figure 5 presents General Fund revenue (excluding ABC Profit and Appropriations Act transfers) on a budgetary basis for the year ended June 30, 1988, with comparisons to budgeted and prior year data, as

Figure 5 **Schedule of General Fund Revenue—Budgetary Basis**
For the Years Ended June 30, 1988, and 1987
(Dollars in Millions)

	Actual			Budget		Projection	
Revenues[1]	FY 1988	FY 1987	% FY 1988 Over (Under) FY 1987	FY 1988	% FY 1988 Actual Over (Under) Budget	[2]FY 1989 Revenue Estimates	% FY 1989 Estimates Over (Under) FY 1988 Actual
Individual Income Tax	$ 2,758	$ 2,446	12.8	$ 2,671	3.3	$ 2,953	7.1
Sales and Use Taxes	1,192	1,106	7.8	1,201	(.7)	1,298	8.9
Corporation Income Tax	336	319	5.3	309	8.7	330	(1.8)
Public Service Corporations Tax	152	146	4.1	151	.7	116	(23.7)
Premiums of Insurance Companies Tax	181	158	14.6	184	(1.6)	197	8.8
Other Taxes	261	261	—	249	4.8	244	(6.5)
Other Revenues	175	241	(27.4)	174	.6	185	5.7
Total Revenue	$ 5,055	$ 4,677	8.1	$ 4,939	2.3	$ 5,323	5.3

[1] Revenues exclude transfers.
[2] FY 1989 revenue estimates are from the 1988 Appropriations Act. Estimates are subject to revision by the Administration, with the approval of the General Assembly.

well as projections for the coming year. General fund revenue for the year ended June 30, 1988, was $5.1 billion, or 8.1% greater than the preceding year. The primary source of the increase was a $312 million increase in Individual Income Taxes resulting from the Commonwealth's strong economic performance, and, in part, from the effects of the 1986 Federal Tax Reform Act. Revenue for the current year was 2.3% over the projected amount. Anticipated General Fund revenues for the coming fiscal year are expected to be approximately $5.3 billion, or 5.3% over revenue for fiscal year 1988.

Figure 6 presents General Fund expenditures by function on a budgetary basis for the fiscal year ended June 30, 1988, and the amount and percentage of increases and decreases in relation to prior year expenditures.

The 1988 increase is attributable to a $139 million increase in Education expenditures and a $113 million increase in Individual and Family Services expenditures.

Debt Administration

Virginia has traditionally received "triple A" bond ratings from both Moody's Investors Service and Standard & Poor's Corporation, reflecting our long-standing record of sound fiscal management, our diversified economic base, and low debt ratios. The Commonwealth funds substantial amounts of capital outlay expenditures from current revenues of the General Fund and from non-general fund sources each fiscal year and, accordingly, limits its issuance of bonded debt. Under current State statutes, the legal debt limit is 1.15 times the average of the preceding three years' income tax and sales use tax, or $4,459,883,689. A total of $404.4 million in bonds backed by the full faith and credit of the Commonwealth was outstanding at June 30, 1988. Of that amount, $338.6 million are serviced from revenue-producing capital projects, primarily auxiliary enterprises of colleges and universities and toll highways. Debt service payments on the balance of $65.8 million are funded from tax revenues. Principal and interest payments on this portion of the Commonwealth's long-term obligations were less than 0.2% of total General Fund expenditures in fiscal year 1988.

During fiscal year 1988, the Commonwealth did not issue general obligation bonds. The Commonwealth does not expect to issue long-term general obligation bonds in fiscal year 1989.

The General Fund, through direct appropriations, also contributes debt service payments to the Virginia Public Building Authority, the Virginia College Building Authority, and the Virginia Port Authority. Principal and interest payments, when coupled with general obligation payments mentioned above, were less than 0.9% of General Fund expenditures.

Figure 6 **General Fund Expenditures by Function—Budgetary Basis**
(Dollars in Millions)

Expenditures	FY 1988	FY 1987	% Increase (Decrease)	FY 1988 % of Total
General Government	$ 279	$ 271	2.9	6.6
Education	1,990	1,851	7.5	47.1
Transportation	16	22	(27.3)	.4
Resources and Economic Development	156	142	9.9	3.7
Individual and Family Services	987	874	12.9	23.4
Administration of Justice	752	683	10.1	17.8
Capital Projects	42	26	61.5	1.0
Total Expenditures	$ 4,222	$ 3,869	9.1	100.00

Investment Policy

The Commonwealth pools all of its available cash into a general account from which it makes investments in a variety of instruments. The average daily invested balance for the year ended June 30, 1988, amounted to $1.0 billion. This balance was invested as follows: 10% in Repurchase Agreements, 52% in U.S. Government and Agency Securities, 36% in Money Market Securities, and 2% in Time Deposits. Maturities for these investments ranged from one day to five years. For fiscal year 1988, the average yield on investments was 7.6%, as compared to a yield of 7.7% during fiscal year 1987. On an accrual basis, total interest earned from available balances was $76.7 million. This represented an increase of $7.6 million from the previous year. The investment program continued to perform well when compared with the 90 day U.S. Treasury bill average rate of 6.2% and the Donohue's Money Market Fund Index average rate of 6.3%. The investment yields for the year exceeded both of the indexes by at least an average of 130 basis points.

The Commonwealth's investment policy is to minimize credit and market risks while generating a competitive yield on its portfolio, and maintaining needed liquidity. Accordingly, investments are made in compliance with the *Code of Virginia,* with specific guidelines set by the Treasury Board. Furthermore, all deposits of the Commonwealth are either insured by an agency of the federal government or collateralized under the Virginia Securities for Public Deposits Act. Over $9 billion, or 74% of investments held by the Commonwealth at June 30, 1988, are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Special Reports

Included in the Introductory Section, for the first time, is a summary of major initiatives and projects undertaken by the Commonwealth.

An analysis of the Virginia Economy that will assist readers in understanding the past economic performance of the Commonwealth and prospects for the future is also presented in the Introductory Section. The analysis, which was developed by the Center for Public Service of the University of Virginia, should contribute to an appreciation of the essential strength of Virginia's economy.

This year's Annual Report highlights Virginia's institutions of higher education. A special report on higher education in Virginia is presented on pages 19 to 28 of the Introductory Section. Photographs of Virginia's public colleges and universities are featured throughout this report.

Independent Audit

In accordance with the provisions of Section 2.1-155 of the *Code of Virginia,* the Auditor of Public Accounts' opinion letter, covering his examination of the Commonwealth's financial statements for the year ended June 30, 1988, is included herein. The Auditor's examination was conducted in accordance with generally accepted auditing standards. Audit testing for compliance with the federal Single Audit Act of 1984 and related OMB Circular A-128 is not performed at the Statewide level but at the agency level; accordingly, no report on such testing is included herein. Special acknowledgement is given to the many professional contributions made by the staff of the Auditor of Public Accounts.

Certificate of Achievement

I am proud to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Virginia for its Comprehensive Annual Financial Report for the year ended June 30, 1987. A replication of the Certificate appears later in the Introductory Section.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year. I believe our current report continues to conform to the Certificate of Achievement Program's stringent requirements, and I am submitting it to GFOA to determine its eligibility for the certificate.

Acknowledgments

I wish to express my sincere appreciation to the many individuals whose dedicated efforts have made this report possible. The preparation of this report could not have been accomplished without the professionalism and dedication demonstrated by financial and management personnel within the Department of Accounts, Department of the Treasury, Department of Planning and Budget, Department of Taxation, Office of Graphic Communications, and numerous other State agencies.

This comprehensive annual financial report reflects my commitment to you, to the citizens of the Commonwealth, and to the financial community to maintain our financial statements in conformance with the highest standards of financial accountability.

Respectfully submitted,

Edward J Mazur

Edward J. Mazur
Comptroller of the Commonwealth of Virginia

Financial Highlights

General Fund

Figure 7
Revenue Dollar
Fiscal Year 1988
(Budgetary Basis)

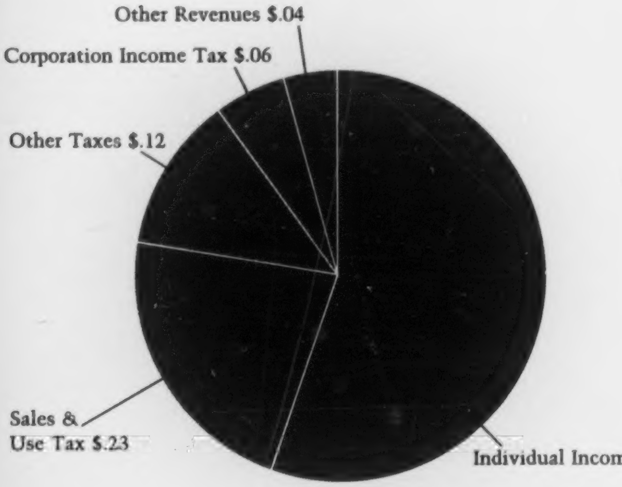
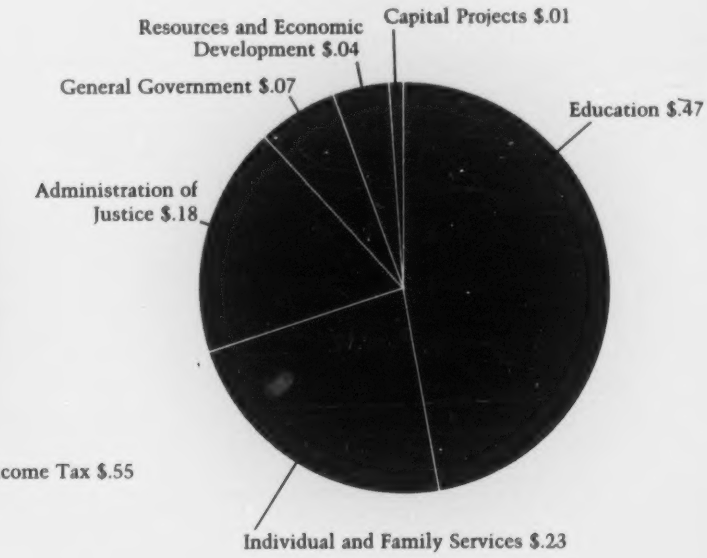


Figure 8
Expenditure Dollar
Fiscal Year 1988
(Budgetary Basis)



Revenues and Other Sources[1]	FY 1988	FY 1987
Individual Income Tax	$ .55	$ .52
Sales and Use Tax	.23	.24
Other Taxes	.12	.12
Corporation Income Tax	.06	.07
Other Revenues	.04	.05
Total	$ 1.00	$ 1.00

[1] Revenues exclude transfers.

Expenditures and Other Uses	FY 1988	FY 1987
Education	$ .47	$ .48
Individual and Family Services	.23	.22
Administration of Justice	.18	.18
General Government	.07	.07
Resources and Economic Development	.04	.04
Capital Projects	.01	.01
Total	$ 1.00	$ 1.00

All Funds

Figure 9
Revenue Dollar
Fiscal Year 1988
(Budgetary Basis)

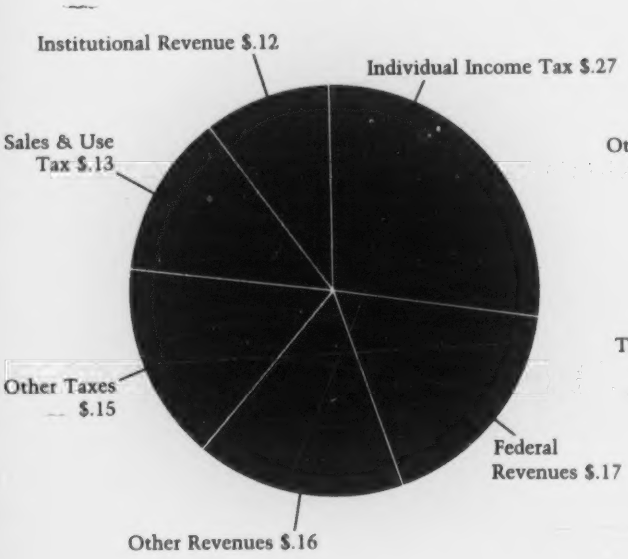
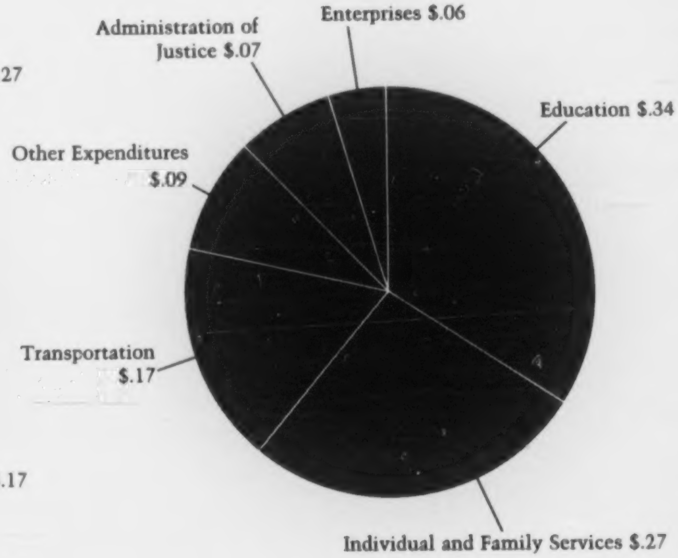


Figure 10
Expenditure Dollar
Fiscal Year 1988
(Budgetary Basis)



Revenues and Other Sources[1]	FY 1988	FY 1987
Individual Income Tax	$ .27	$ .26
Federal Revenues	.17	.18
Other Revenues	.16	.17
Other Taxes	.15	.15
Sales and Use Tax	.13	.12
Institutional Revenue	.12	.12
Total	$ 1.00	$ 1.00

[1] Revenues exclude transfers.

Expenditures and Other Uses	FY 1988	FY 1987
Education	$ .34	$ .35
Individual and Family Services	.27	.27
Transportation	.17	.16
Other Expenditures	.09	.09
Administration of Justice	.07	.07
Enterprises	.06	.06
Total	$ 1.00	$ 1.00

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 1987

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Paul C. Glisson

President

Jeffrey L. Esser

Executive Director

George Mason University students are provided state-of-the-art equipment and instruction to prepare them with the complex skills needed in today's technological world. GMU's School of Information Technology and Engineering offers the nation's only Ph.D. in information technology.

Commonwealth of Virginia—Major Initiatives

A special session of the General Assembly was called by the Governor in September, 1986, to respond to the recommendations of a blue ribbon panel for dealing with critical infrastructure needs. The Session resulted in the following revenue measures: an increase in the general sales tax from 4% to 4.5%, dedicated to fund critical transportation needs; an increase of 2.5¢ in the motor fuel tax; an increase in the vehicles sales and use tax from 2% to 3%; and a $3 increase in the annual vehicle registration fee.

- These measures resulted in new projected annual revenues of $420 million, all dedicated to meeting transportation needs. Eighty-five percent of the new money is dedicated to highway construction; 8.4% to public transportation; 4.2% to water ports; and 2.4% to meeting airport needs.
- Appropriations for highway construction increased from $583 million in fiscal year 1986 to $890 million in fiscal year 1988.
- 230 new projects were added to the Commonwealth's six-year highway construction plan as a result of these new funds.

For the Biennium 1988-90, the General Assembly enacted a $22.8 billion budget which was a 21% increase over the previous biennium. Presented below are approximately $2.4 billion in budget allocations which most reflect the Governor's and the General Assembly's initiatives and priorities. These initiatives, to which both the House Appropriations and Senate Finance Committees devoted considerable time, form the centerpiece of the 1988-90 budget.

Public Education

- Increase teacher salaries over the next two years in an effort to bring Virginia's teacher salaries in line with the national average by 1992.
- Full State funding of the local costs of the new family life education program.
- Continuation of the interest subsidy program for school construction which allows maximum use of Literary Fund revenues and enables some construction projects to be funded more quickly at a cost savings.

Higher Education

- Creation of more than 1,000 new positions to achieve greater staffing parity among institutions, to improve and strengthen undergraduate education programs, to staff new facilities, to establish Commonwealth Centers of Excellence, and to recognize growth in auxiliary enterprise and sponsored research activity.
- $31.7 million set aside to fund lease payments for the $85 million college equipment purchase program established through the Virginia College Building Authority.

Housing

- Increased efforts to preserve existing housing and to create new housing units for low-income individuals and families through $44.2 million designated for a revolving loan fund to provide congregate housing for the elderly and disabled, energy conservation, correction of deficient indoor plumbing, rehabilitation of single-family homes and multi-family units, and new construction of multi-family dwellings and single-family homes.

Indigent Health Care

- Increased base budget for Medicaid including $135.5 million in general funds to continue current services due to reduced federal participation and increases in utilization and inflation costs of various services, particularly hospital and nursing home care.
- Expansion of Medicaid eligibility to include children up to age one and pregnant women whose incomes fall at or below 100 percent of the federal poverty guidelines; and extension of prenatal services and targeted care coordination services to eligible children and at-risk pregnant women.

Community Mental Health Programs

- $63.2 million in general funds to expand mental health, mental retardation, and substance abuse services in communities throughout the Commonwealth.

Day Care

- $100.0 million in general funds to expand the child day care program which provides day care subsidies to low-income working families to ensure that those most in need are being served.

The Virginia Economy

The Commonwealth of Virginia's financial health is directly dependent on the condition of the State's economy. This section of the report contains information developed by the Business and Economics Section of the Center for Public Service at the University of Virginia and provides the reader with a brief review of the Commonwealth's economic performance in relation to the nation's during the past five years. The analysis and related graphs report information for the period from 1983 to 1987 and, whenever possible, for early 1988.

In 1983, the nation was emerging from a deep recession, judged by many as its worst since the Great Depression of the 1930s. After bottoming out in November 1982, the economy rebounded, and 1983 saw the beginning of one of the longest economic expansions on record. Real gross national product (GNP), a broad measure of the nation's output adjusted for inflation, has grown at an annual rate of 4.3 percent through the fourth quarter of 1987. Recently the economy has been experiencing some symptoms of slowing down, and in the second quarter of 1988, real GNP grew at an annual rate of 3.0 percent.

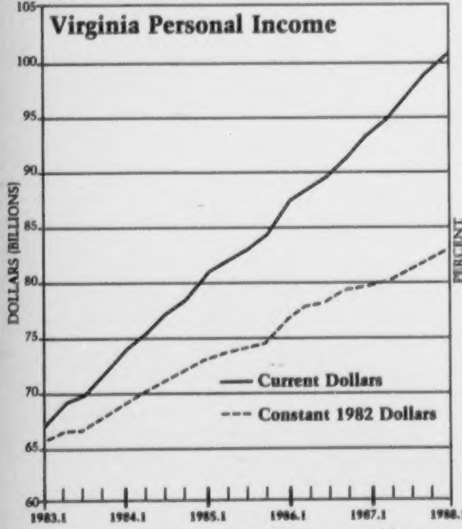
Although the national economy influences Virginia's economy, the State suffered less than the nation as a whole during the last recession, and in the consequent growth period has outpaced the U.S. in most measures of economic performance. Virginia personal income in both current and inflation-adjusted dollars rose consistently over the last five years (Figure 11). Virginia's share of national personal income (Figure 12) increased almost steadily during the same period, indicating that Virginia continues to outperform the U.S.

The per capita income figures (Figure 13) reflect the strong growth in Virginia's personal income. In 1983, the State's per capita personal income slightly exceeded the nation's and has climbed higher since then. Virginia's 1987 per capita personal income was $16,517 compared to $15,481 for the nation and $15,039 for the South Atlantic Region.[1] On a percentage basis, Virginia's 1987 per capita personal income was 107 percent of the national average and 110 percent of the South Atlantic figure. The State per capita income ranked tenth in the nation and third in the South Atlantic region (behind the District of Columbia and Maryland).

The period from 1983 to early 1988 was marked by relatively low inflation. The growth in prices, as measured by both the Consumer and Producer Price Indexes, has been moderate compared to the late 1970s and early 1980s. The decrease in inflation has also been accompanied by lower interest rates. The prime rate, which stood at over 11 percent in 1983, rose to 13 percent in 1984 and fell to 7 percent by 1986. Since then, it has moved upward, reaching above 9 percent by mid-1988.

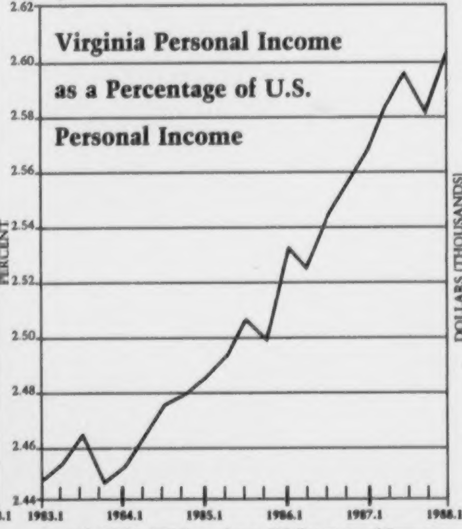
Virginia's nonagricultural wage and salary employment level (Figure 14) increased by 471,100 employees from 1983 to 1987. In relative terms, this 21.3 percent gain from 1983 to 1987 exceeded both the national increase of 13.3 percent, and the 19.5 percent gain made by the South Atlantic region (Figure 15). Unlike the figures for the U.S., Virginia's employment growth has not slowed in more recent years. Among the major industries in Virginia, the largest percen-

Figure 11



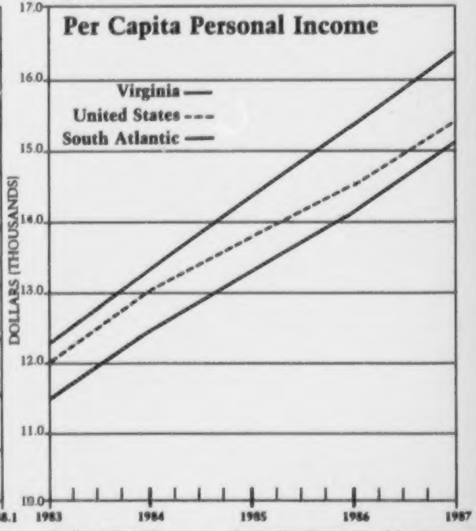
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 12



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 13



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

tage increase in employment during the five-year period was in the construction sector (Figure 16). Strong gains were also shown in the services, wholesale and retail trade, and finance, insurance, and real estate sectors.

Manufacturing and transportation and public utilities had modest employment gains during the five-year period. Federal, state, and local government employment also saw small gains in employment; and mining employment, although down, is undergoing a leveling-off in the decline.

Among Virginia's metropolitan areas, employment growth was strongest from 1983 to 1987 in the Northern Virginia area, with employment gains of 37 percent (Figure 17). The only other metropolitan area that had gains in excess of 20 percent was the Norfolk–Virginia Beach –Newport News area, just topping the mark at 20.1 percent. Gains of 10 to 20 percent were found in Bristol, Charlottesville, Richmond–Petersburg, and Roanoke. Because of the relative size of Northern Virginia, employment growth among all metropolitan areas averaged 21.4 percent, versus 15.4 percent for the nonmetropolitan areas.

From 1983 to the second quarter of 1988, Virginia's unemployment rate (Figure 18) fell to 3.7 percent from a high of 7.9 percent. Although the Virginia unemployment rate followed a pattern similar to that of the national rate, it was consistently at least 20 percent lower than the national average.

The number of Virginia private residential building permits (Figure 19) is a good leading indicator of the health of the economy. This number increased dramatically until the second quarter of 1986. The fourth quarter of 1986 and early 1987 saw the number of building permits fall precipitously, although they have recovered and appear to be holding steady. Nationwide, building permits have not recovered as Virginia's have in recent times.

Taxable sales under the Virginia sales and use tax are a fairly good proxy for retail sales. They grew from $5.7 billion in the first quarter of 1983 to $9.0 billion in the first quarter of 1988 (Figure 20). Once adjustments are made for inflationary increases, there was still an increase measured in 1982 dollars, from $5.5 billion to $7.4 billion.

In summary, a review of the Virginia economy for the past five years indicates that economic activity in the Commonwealth has echoed national trends but with more vigor. Within the State, the largest growth has been concentrated in Northern Virginia and a few other metropolitan areas. The economic outlook for Virginia largely depends on the same factors that cloud the national outlook—the large persistent federal deficits, higher interest rates, and an adverse balance of payments.

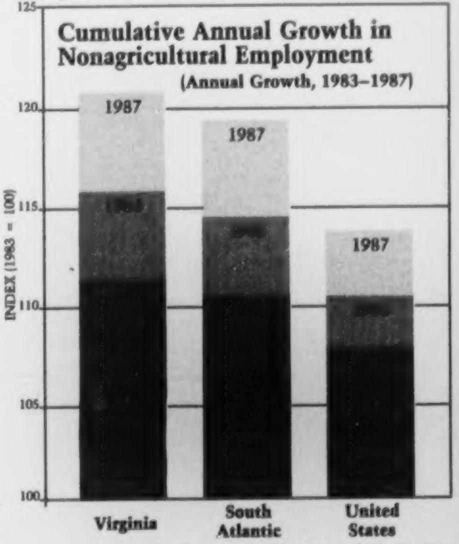
Figure 14

Virginia Nonagricultural Wage and Salary Employment

Industry Group	**Employment (In Thousands of Employees)** **1983**	**1984**	**1985**	**1986**	**1987**
Manufacturing	403.6	421.3	423.4	424.7	429.1
Mining	17.4	18.3	17.3	16.5	15.6
Construction	113.9	132.8	152.0	169.5	182.0
Transportation and Public Utilities	120.4	127.2	137.3	137.1	142.2
Wholesale and Retail Trade	480.2	516.5	547.0	579.0	610.4
Finance, Insurance and Real Estate	110.1	117.1	122.8	131.8	143.9
Services	460.4	495.1	544.7	579.3	626.4
Federal Government	162.9	166.0	168.1	167.9	170.0
State Government	120.1	119.9	122.7	124.0	124.3
Local Government	217.9	219.0	224.8	227.2	234.1
Total	2,206.9	2,333.2	2,460.1	2,557.0	2,678.0

Source: Virginia Employment Commission.

Figure 15



Cumulative Annual Growth in Nonagricultural Employment
(Annual Growth, 1983–1987)

Source: U.S. Department of Labor, Bureau of Labor Statistics

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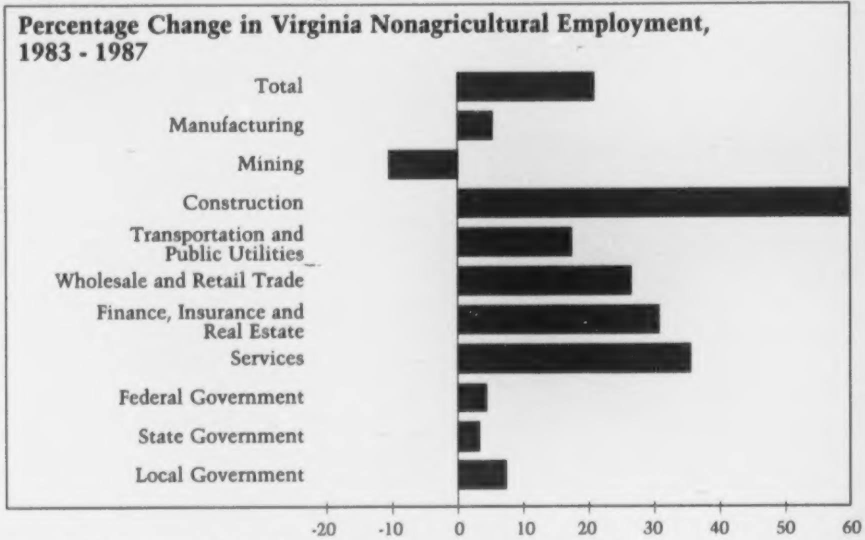
[1] The South Atlantic region includes the states of Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia, and the District of Columbia.

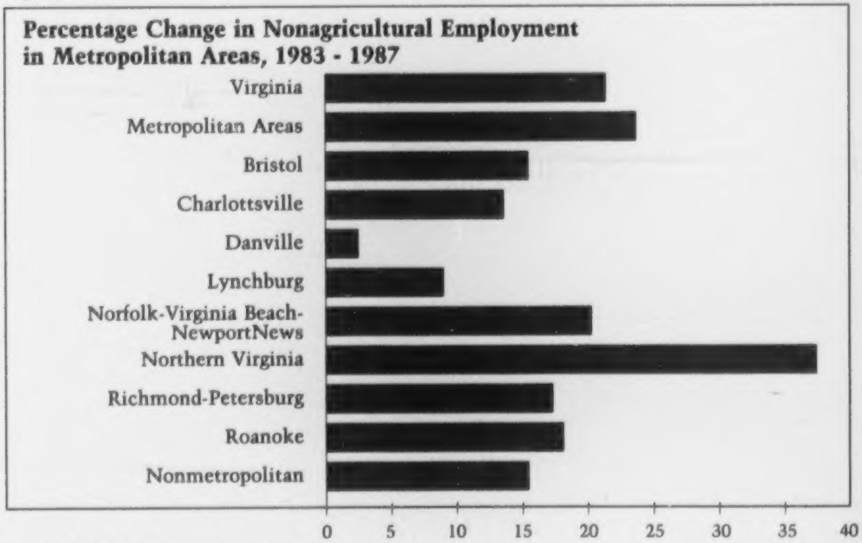
Figure 16



Percentage Change in Virginia Nonagricultural Employment, 1983 - 1987

Source: Virginia Employment Commission

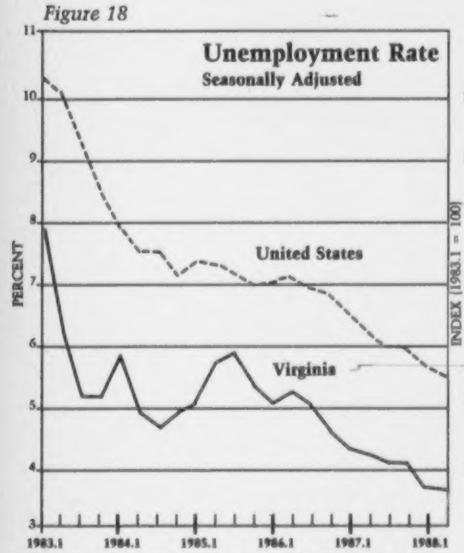
Figure 17



Percentage Change in Nonagricultural Employment in Metropolitan Areas, 1983 - 1987

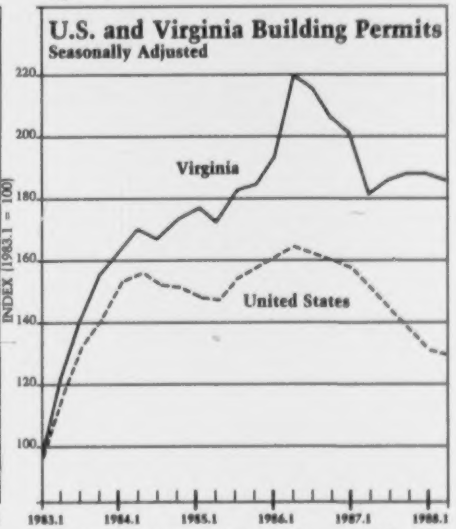
Source: Virginia Employment Commission

Figure 18



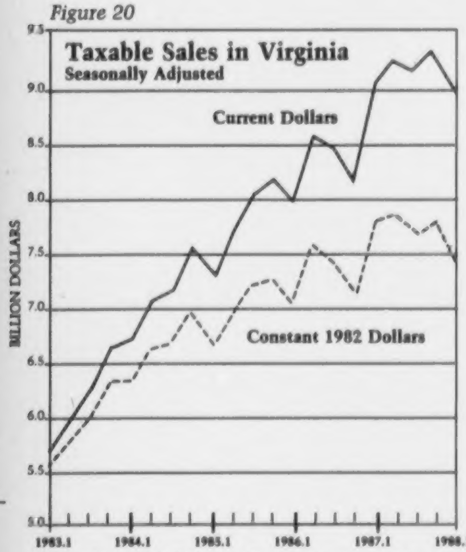
Quarterly (1983.1–1988.2) Sources: Virginia Employment Commission, (Virginia), U.S. Department of Labor, Bureau of Labor Statistics (U.S.)

Figure 19



Quarterly (1983.1–1988.2) Source: U.S. Department of Commerce, Bureau of the Census.

Figure 20



Quarterly (1983.1–1988.1) Source: Va. Department of Taxation.

Special Report on Higher Education in Virginia

Historical Perspective

Virginia's colleges and universities are built on a tradition of excellence and innovation that spans three hundred years. Since the 17th century, when the College of William and Mary was established by Royal Charter—just down the road from America's first permanent English settlement at Jamestown—the Commonwealth has been helping chart the course for American higher education.

Now planning for the 21st century, Virginia's leaders are building on a strong foundation—at least two dozen public and private Virginia institutions are more than 100 years old and several are 200 years old.

Thomas Jefferson, the architect and founder of the University of Virginia, dreamed of a great national university and made certain his dream was realized in the 19th century. Also an architect of Virginia's system of education, Jefferson presented before the legislature of Virginia the first education bill in the United States. It said that all children of the Commonwealth would receive three years of schooling at the public's expense.

One of Jefferson's models for higher education was used for the placement of the Virginia Community College System, which was created during the 1960s. His theory was that educational opportunities should be "one day's horseback ride from every Virginian." With one day calculated to equal 50 miles, the placement of the community colleges today resembles what Jefferson would have envisioned.

Virginia's system includes many accomplishments and firsts. It has the nation's first State military college (Virginia Military Institute); the first American college to receive its charter from the British crown, have an honor system, and establish an intercollegiate fraternity, Phi Beta Kappa (The College of William and Mary); the only major university designed by the author of the Declaration of Independence, and the first to have faculty from Europe and a curriculum divided into separate schools (the University of Virginia); and America's first fully State-supported four-year institution of higher learning for black students (Virginia State University).

One of Virginia's earliest supporters of higher education was Thomas Jefferson. This statue honoring his memory is located on the grounds of the University of Virginia. Founded by Thomas Jefferson in 1819 on principles of academic excellence, student self-government, and religious freedom, the University consistently rates among the finest public institutions in the nation.

Diversity and Economic Health of Public Colleges and Universities

Today, the institutions in Virginia's diverse public system range from 24 two-year colleges of all sizes to 15 colleges and large urban universities. Six institutions grant doctoral degrees and nine are comprehensive institutions of arts and sciences. The public system employs more than 8,000 full-time faculty members, half of whom are tenured. In 1985–86, Virginia's State-supported institutions conferred 31,614 degrees.

Many of Virginia's institutions have achieved national stature and are recognized for excellence in various fields. Three Virginia institutions—the University of Virginia, Virginia Polytechnic Institute and State University, and Virginia Commonwealth University—are preeminent research universities. They all rank in the top 100 in terms of total research efforts. A professor at George Mason University recently won the Nobel Prize in Economics and a former University of Virginia professor won the Pulitzer Prize for Fiction.

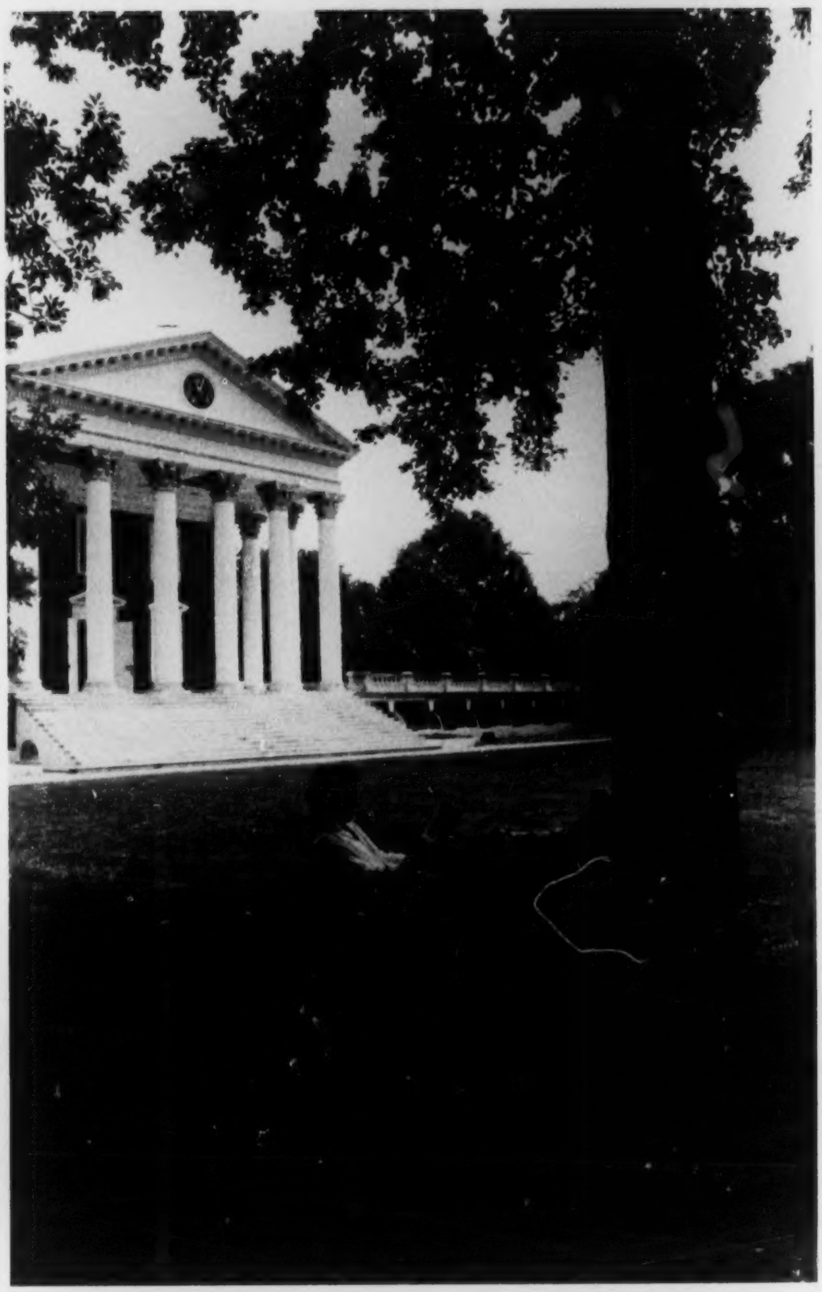
In addition to diversity, Virginia higher education benefits from the State's financial well-being. Enrollments continue to grow in the Virginia system, which ranks twelfth in the nation in total full-time equivalent students. The 39 public two- and four-year institutions attract about 275,000 students, not only from Virginia but from every other state and many countries. About 86 percent of all students enrolled in Virginia colleges and universities are in public institutions. Nationally, only about 75 percent of the students in each state attend that state's public institutions.

Although State income tax rates remain relatively low, the Governor and the General Assembly have provided strong support for higher education, reflecting the Commonwealth's prosperity and a commitment to higher education. Virginia has the highest per capita income in the South, the eleventh highest in the nation, and the fourth fastest growing per capita income in America.

State General Fund appropriations for higher education have increased 177 percent in the last ten years. Only three other states had a higher percentage increase in state tax funds appropriated for higher education during the same period. Virginia now ranks 11th among all 50 states in total state appropriations for higher education.

Strong financial aid programs assure that needy students may go to college. The State contributed $16.5 million in 1987–88 to discretionary financial aid in the budgets of the public institutions and will contribute $17.9 million in 1988–89.

Fourth-year students who have contributed significantly to the University of Virginia live in one-story Lawn rooms in Mr. Jefferson's "academical village," which was designed to house teachers and students in four long rows of rooms, with larger buildings providing classroom and dwelling space for faculty and their families.



Innovations and Model Programs

Education is so pervasive, so important, so fundamental to our hopes and aspirations, that virtually no segment of society is without a direct and compelling interest in the well-being of our schools"—Governor Gerald L. Baliles.

Under the leadership of Governor Baliles, the Commonwealth has undertaken numerous initiatives to further excellence in education.

The Governor's priorities have included increased opportunities for minorities, assessment of student learning, greater emphasis on international education, full development of the Center for Innovative Technology, improved faculty salaries, implementation of the Higher Education Equipment Trust Fund, the creation of the Commission on the University of the 21st Century, and a pioneering effort to restructure teacher education programs so that all Virginia public school children may receive instruction from the best possible teachers.

The teacher education program, which former U.S. Secretary of Education Terrel Bell called "a model for the nation," was one of several initiatives that resulted from the 1986 report of the Governor's Commission on Excellence in Education.

The Commission was charged with examining what needed to be done to give Virginia "a system recognized as being among the very best." It recommended that teachers educated in Virginia be required to earn undergraduate degrees in the arts and sciences instead of in education. When the Statewide program is completely implemented in 1990, Virginia will have accomplished one of the most comprehensive teacher education reforms in the country.

The restructuring of teacher education programs will have a positive effect upon the whole of undergraduate education at Virginia's colleges and universities. As the institutions review their courses of study to ensure that the needs of prospective teachers will be met by programs leading to degrees in the arts and sciences, they will have opportunities to strengthen the entire curriculum. This activity, coupled with rigorous assessment of student learning, will benefit students headed into all walks of life.

The Commonwealth Centers of Excellence allow the State to focus resources on excellent programs of international and national significance at various institutions. To achieve Commonwealth Center status, a program has to be nationally preeminent. Seven proposals for Commonwealth Centers were judged by external reviewers to be among the three or four most outstanding activities of their type in American higher education.

Another innovative program designed to further excellence is the Higher Education Equipment Trust Fund. Started during the Baliles Administration, this debt-financed program has had a dramatic effect on providing additional instructional and research equipment to Virginia's public colleges and universities. The fund has allowed some institutions to double their existing equipment purchases.

The trust fund grew out of a 1985 joint legislative study of instructional equipment needs in State institutions. Its purpose is to supplement existing higher education equipment budgets. In 1986, the General Assembly authorized the existing Virginia College Building Authority (VCBA) to sell bonds valued at $90 million and appropriated $28.8 million to the

VCBA to set up the trust fund. In subsequent years, the General Assembly appropriated money to meet commitments on lease payments. The 1988 General Assembly approved an additional $31.7 million, which was added into the Equipment Trust Fund. To date, $18.3 million of additional equipment purchases have been made with a commitment to purchase an additional $66.7 million of equipment.

Still another major State initiative has raised faculty salaries 56.7 percent since 1981, placing Virginia first among the 15 states in the Southern region and well above the national average. The growth in faculty salaries has helped Virginia in attracting and retaining outstanding faculty from throughout the nation.

The Commission on the University of the 21st Century is a pioneering effort to investigate the best ways to meet the needs of students in the next century. The Commission will consider the mission, organization, and curriculum of the university of the 21st century. The Governor identified four broad objectives for the panel:

1. Examine the implications of the economic and social changes taking place in Virginia;
2. Determine how Virginia can ensure that space is available for every State resident who can benefit from college;
3. Stimulate a review of the curriculum and consider how colleges and universities should be organized and administered; and
4. Emphasize international studies.

In its national role, Virginia and its institutions of higher learning have developed many model programs which further demonstrate a commitment to excellence. These model programs include:

- The Eminent Scholars Program, established with a General Fund Appropriation of $25,000 by the General Assembly in 1964, is a State match of earnings on designated endowments to attract and retain distinguished faculty. It was the first program of its kind in the United States and has been recognized and widely copied. For 1988–90, the General Assembly appropriated an additional $12 million for Eminent Scholars. Colleges and universities select Eminent Scholars based on their national prominence, as demonstrated by effective teaching, productive scholarship, artistic achievement, or other distinguished accomplishments.

Students of the Richard Bland College biology department discuss plant life. Students may earn associate degrees in science, the arts, or business at RBC and then transfer to complete their bachelor's degree at a four-year school.

Supplemental faculty chairs have been established and have added support for scholarly activity to Old Dominion University faculty by private philanthropy of several individuals and groups.

- The Funds for Excellence Program was initiated in the 1980–82 biennium with a $1.8 million appropriation. The competitive grant program supports institutional initiatives that will significantly raise the level of excellence of Virginia's colleges and universities. The competitive awards have been granted for over 120 projects since 1980, supported with a program investment of $11.4 million.

- The Outstanding Faculty Awards Program, begun in 1987 and lauded by presidents, faculty, citizens, and business leaders, annually honors 13 of the Commonwealth's premier public and private faculty. The faculty members receive $5,000 General Fund awards for their teaching, research, and community service contributions. They receive the awards and a specially commissioned work of art at an annual black-tie dinner and ceremony which is made possible through private fund-raising efforts. Due to the success of the fund-raising effort, the State also has been able each year to honor 13 doctoral students with $5,000 awards.

- The Cooperative Graduate Engineering Program is a consortium of Virginia universities which, in cooperation with the Department of Information Technology, will deliver during the 1988–89 academic year televised engineering and support courses throughout the Commonwealth. The program has grown since its inception in 1983 to become a Statewide program by which satellite television is used to send classes originating at the universities to numerous remote sites. The primary intent of the program is to provide practicing engineers and other qualified individuals an opportunity to conveniently pursue graduate studies leading to a master's degree in engineering.

- The Virginia Community College System Leadership seminar is an annual week-long seminar designed to help VCCS employees develop professionally so that they may assume leadership positions in the VCCS. One individual from each of the community college campuses and the system office, at the level of division chair or above, is selected to attend. Speakers include Virginia Cabinet members, business leaders, and college presidents.

- Virginia State University's aquaculture program was funded to support research, development, and demonstration activities aimed at the production of hybrid striped bass in Virginia farm ponds. The program was developed in response to Governor Baliles' call for expansion of the aquaculture industry as an enhancement of technological and economic development.

- The Commonwealth makes a contribution to the Southeastern Universities Research Association, Inc., for the support of the Continuous Electron Beam Accelerator Facility in Newport News. Faculty from Christopher Newport College and several other Virginia institutions have established cooperative research relationships with the facility.

- The Center for Innovative Technology was created in 1984 to provide an environment to advance technology within the Commonwealth. One of the CIT's focuses is university-based laboratory research, which is supported by the business community. The CIT has strategically located technology centers across Virginia to facilitate research in specific technological areas deemed to have economic potential for the State.

- Virginia Commonwealth University's Massey Cancer Center and transplant program both provide state-of-the-art medical research technology and organ care. Medical College of Virginia Hospitals recently added pancreas and bone marrow transplants to its organ replacement programs, which now include kidney, liver, heart, and heart-lung transplants. The second heart transplant in the United States was performed at MCVH. The Massey Cancer Center is included in an elite group which receives reviews from the National Cancer Institute. In order to be considered for review, a center needs to have established a highly respected core of cancer researchers and projects.

- Virginia's Transition and Retention programs have helped increase minority enrollment and graduating students by working to eliminate academic deficiencies and assisting in developing good study habits.

- The Better Information Project encourages minority youth, beginning in middle school, to plan for and attend college.

- The Last Dollar Financial Aid Program helps institutions to assist black students who either apply late or need additional funds to attend college. The funds are distributed based on financial need.

- The Commonwealth Centers epitomize Virginia's goal for higher education through the rest of this century and into the next: to build a superb system by concentrating upon the established strengths of the colleges and universities.

The Department of Theatre and Speech at The College of William and Mary presents four major plays, including one musical, during each academic year. Students of the 80's are seen in their version of the 60's during the fall 1986 production of "HAIR."

The seven Centers are:

1. The Commonwealth Center for the Education of Teachers, a joint activity of James Madison University and the University of Virginia;
2. The Drug Abuse Commonwealth Center at Virginia Commonwealth University;
3. The Commonwealth Center for Wood Science and Technology at Virginia Polytechnic Institute and State University;
4. The Commonwealth Center for American History and Culture at the College of William and Mary;
5. The Commonwealth Center for the Study of Literary and Linguistic Change at the University of Virginia;
6. The Commonwealth Center for Nuclear and High-Energy Physics at the University of Virginia; and
7. The Commonwealth Center for Material Systems at Virginia Polytechnic Institute and State University.

The Council of Higher Education and Virginia's Goals

The Council of Higher Education for Virginia was established in 1956, as the State's coordinating agency for public institutions. The Council works with the Governor, General Assembly, Secretary of Education, and more than a dozen advisory groups of college and university staff, led by committees of public and private college presidents. The Council works with the military to meet the needs of the second largest armed services population of any state in the Union, and with a variety of other groups to ensure that Virginia higher education responds to the needs of the Commonwealth.

The Council promotes the general goals of access, excellence and accountability. It is charged by the *Code of Virginia* "to promote the development and operation of an educationally and economically sound, vigorous, progressive, and coordinated system of higher education in the State of Virginia." Among the Council's current objectives, which parallel the Governor's priorities, are the following:

- Reform undergraduate curriculum and assess student learning;
- Emphasize international education and foreign language study;
- Continue to emphasize minority recruitment of students and faculty;
- Foster the economic and technological development of Virginia as it relates to higher education; and
- Promote the acceptance of liberal arts and science graduates as teachers in the public schools as part of an effort to improve teacher education.

The Council, the Governor, the General Assembly, and the institutions have long demonstrated a strong commitment to higher education and progressive change. The Virginia system of higher education has continued to grow, from 107,384 students in 1970 to 275,583 in 1987. It contains the most selective public universities in the United States.

Total State appropriations for operating expenses at State-supported institutions have tripled, from just under $1 billion in the 1976–78 biennium to just over $3 billion for the 1986–88 biennium. State colleges and universities have been appropriated $913 million for capital outlay during the twelve year period from 1976 to 1988, about $474 million of which came from tax revenues. The three major universities have increased their research grants from $35 million to $150 million over the past ten years. Faculty salaries have increased to the highest level of all the Southern States.

Finally, the State's model programs promise growth and new areas of challenge. We look to the future as the Higher Education Equipment Trust Fund flourishes, the Commonwealth Centers come into their own, and the Commission on the University of the 21st Century helps chart the course for Virginia higher education into the next century.

Virginia Commonwealth University's urban location in Virginia's capital city provides a real life laboratory for teaching, research, and public service. Research into the treatment of diseases occurring in old age and the increasing needs of our growing elderly population is only one of the many investigations conducted at VCU.

Organization of Government

As of July 1, 1988

Executive

Attorney General

- Department of Law

Governor

- Chief-of-Staff
  - Virginia Liaison Office
  - Secretary of the Commonwealth

Lieutenant Governor

Administration

- Secretary of Administration
- Commission on Local Government
- Compensation Board
- Department of Employee Relations Counselors
- Department of General Services
- Department of Information Technology
- Department of Personnel and Training
- State Board of Elections
- Virginia Supplemental Retirement System
- Council on Human Rights
- Council on Information Management
- Department of Veterans' Affairs

Finance

- Secretary of Finance
- Department of Accounts
- Department of the State Internal Auditor
- Department of Planning and Budget
- Department of Taxation
- Department of Treasury
- Treasury Board

Human Resources

- Secretary of Human Resources
- Department for the Rights of the Disabled
- Council on Indians
- Council on Status of Women
- Department for the Aging
- Department of Health
- Department of Health Professions
- Department of Medical Assistance Services
- Department of Mental Health, Mental Retardation and Substance Abuse Services
- Department of Rehabilitative Services
- Department of Social Services
- Department for Children
- Department of Volunteerism
- Governor's Employment and Training Department
- Department for the Visually Handicapped
- Department for the Deaf and Hard-of-Hearing
- Health Services Cost Review Council

Economic Development

- Secretary of Economic Development
- Department of Agriculture and Consumer Services
- Department of Commerce
- Department of Economic Development
- Department of Housing and Community Development
- Department of Labor and Industry
- Department of Mines, Minerals, and Energy
- Milk Commission
- State Department of Minority Business Enterprise
- Virginia Employment Commission
- Department of Forestry
- Virginia Commission for the Arts
- Virginia Port Authority
- Virginia World Trade Council

Transportation and Public Safety

- Secretary of Transportation and Public Safety
- Commonwealth's Attorney's Services and Training Council
- Department of Alcoholic Beverage Control
- Department of Aviation
- Department of Corrections
- Department of Criminal Justice Services
- Department of Fire Programs
- Department of Transportation
- Department of Military Affairs
- Department of State Police
- Department of Motor Vehicles
- Department of Correctional Education
- State Department of Emergency Services
- Virginia Parole Board
- Commission on the Virginia Alcohol Safety Action Program

Education

- Secretary of Education
- Christopher Newport College
- The College of William and Mary
- George Mason University
- The Science Museum of Virginia
- Gunston Hall
- University of Virginia
- James Madison University
- Frontier Culture Museum of Virginia
- Jamestown-Yorktown Foundation
- Virginia Commonwealth University
- Longwood College
- Virginia Community College System
- Mary Washington College
- Virginia Military Institute
- Norfolk State University
- Old Dominion University
- Virginia Polytechnic Institute and State University
- Radford University
- Virginia State Library and Archives
- State Council of Higher Education
- Virginia State University
- Department of Education
- Virginia Museum of Fine Arts

Natural Resources

- Secretary of Natural Resources
- Department of Game and Inland Fisheries
- Department of Conservation and Historic Resources
- Council on the Environment
- Marine Resources Commission
- Department of Air Pollution Control
- Department of Waste Management
- State Water Control Board
- Virginia Museum of Natural History
- Chesapeake Bay Local Assistance Department

Legislative

- Senate
- House of Delegates
- Auditor of Public Accounts
- Commission on Veterans' Affairs
- Division of Legislative Automated Systems
- Division of Legislative Services
- Joint Legislative Audit and Review Commission
- Legislative Support Commission
- Division of Capitol Police
- Virginia Coal and Energy Commission
- Virginia Code Commission
- Virginia Commission on Intergovernmental Cooperation
- Virginia State Crime Commission
- Virginia Housing Study Commission
- Water Commission

Judicial

- Supreme Court
- Court of Appeals of Virginia
- Circuit Courts
- District Courts
- Judicial Inquiry and Review Commission
- Magistrate System
- Public Defender Commission
- State Board of Bar Examiners
- Virginia State Bar

Independent Agencies

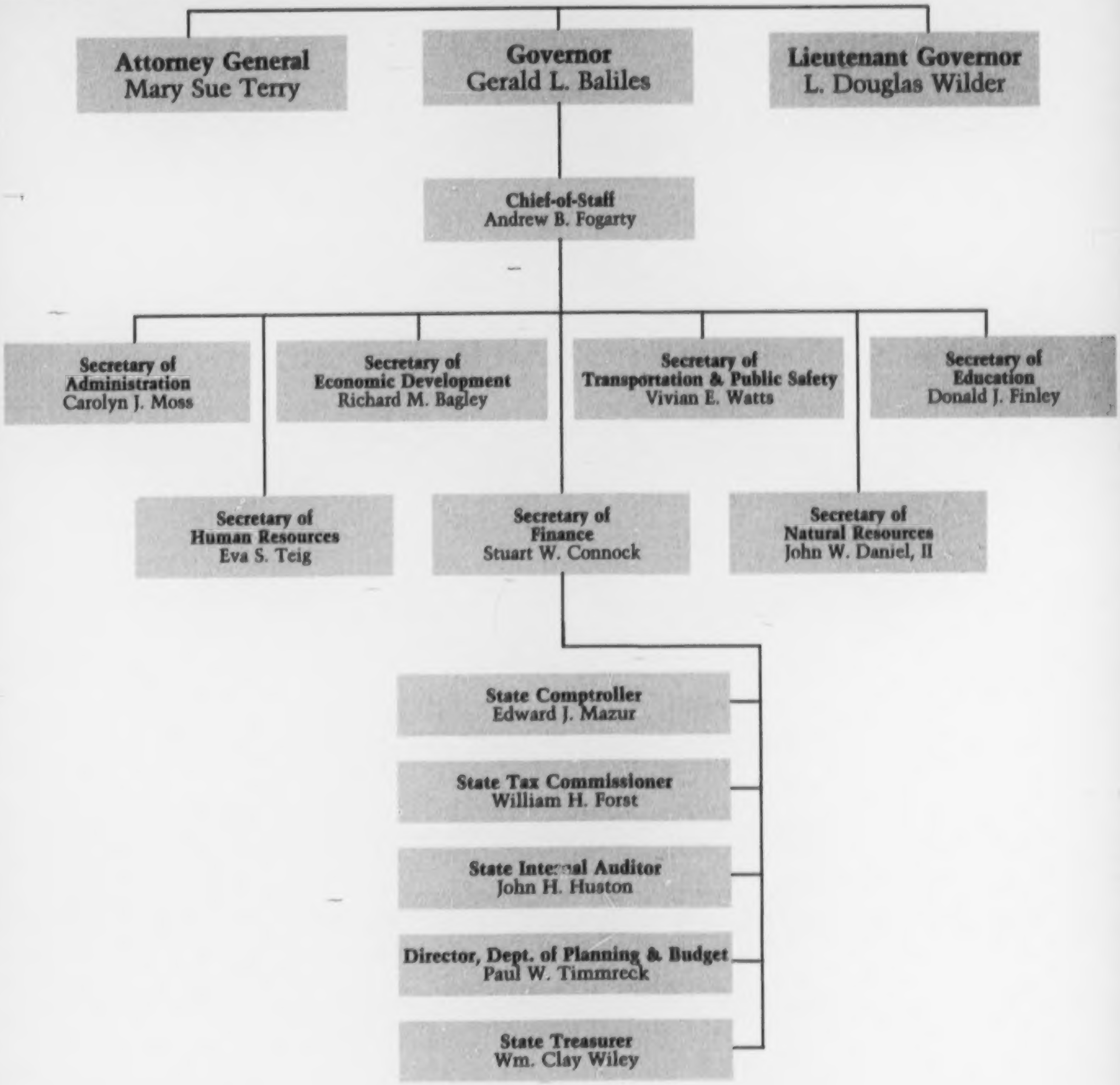
- State Corporation Commission
- Department of Workers' Compensation
- State Lottery Department

Public Benefit Corporations

- Virginia Housing Development Authority
- Virginia Education Loan Authority
- Virginia International Terminals, Inc.
- Virginia Resources Authority
- State Education Assistance Authority
- Virginia Public School Authority

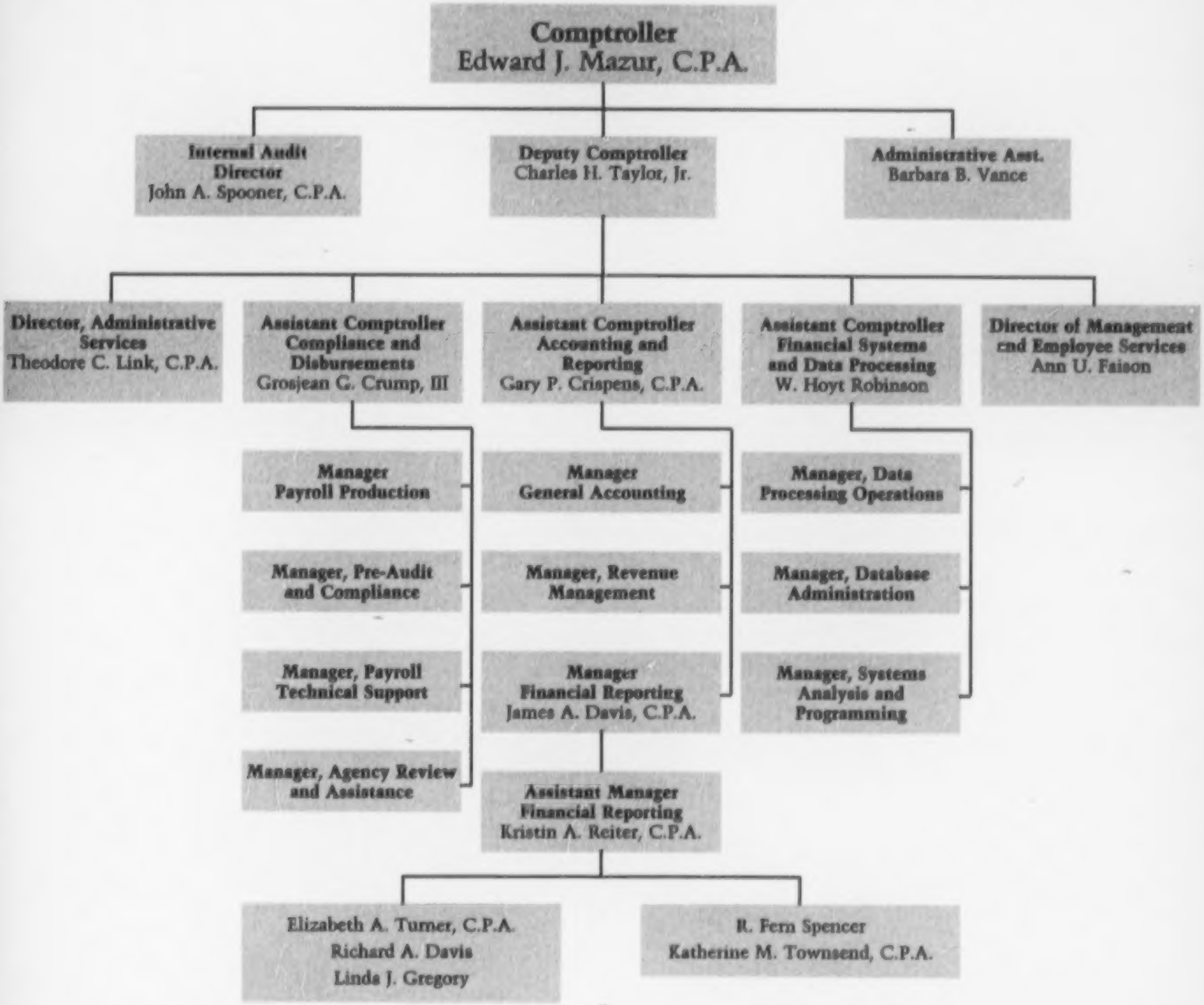
Selected State Officials—Executive Branch

As of July 1, 1988


Attorney General
Mary Sue Terry
Governor
Gerald L. Baliles
Lieutenant Governor
L. Douglas Wilder
Chief-of-Staff
Andrew B. Fogarty
Secretary of Administration
Carolyn J. Moss
Secretary of Economic Development
Richard M. Bagley
Secretary of Transportation & Public Safety
Vivian E. Watts
Secretary of Education
Donald J. Finley
Secretary of Human Resources
Eva S. Teig
Secretary of Finance
Stuart W. Connock
Secretary of Natural Resources
John W. Daniel, II
State Comptroller
Edward J. Mazur
State Tax Commissioner
William H. Forst
State Internal Auditor
John H. Huston
Director, Dept. of Planning & Budget
Paul W. Timmreck
State Treasurer
Wm. Clay Wiley

Department of Accounts

Organization Chart


Comptroller
Edward J. Mazur, C.P.A.
Internal Audit Director
John A. Spooner, C.P.A.
Deputy Comptroller
Charles H. Taylor, Jr.
Administrative Asst.
Barbara B. Vance
Director, Administrative Services
Theodore C. Link, C.P.A.
Assistant Comptroller Compliance and Disbursements
Grosjean G. Crump, III
Assistant Comptroller Accounting and Reporting
Gary P. Crispens, C.P.A.
Assistant Comptroller Financial Systems and Data Processing
W. Hoyt Robinson
Director of Management and Employee Services
Ann U. Faison
Manager Payroll Production
Manager, Pre-Audit and Compliance
Manager, Payroll Technical Support
Manager, Agency Review and Assistance
Manager General Accounting
Manager, Revenue Management
Manager Financial Reporting
James A. Davis, C.P.A.
Assistant Manager Financial Reporting
Kristin A. Reiter, C.P.A.
Manager, Data Processing Operations
Manager, Database Administration
Manager, Systems Analysis and Programming
Elizabeth A. Turner, C.P.A.
Richard A. Davis
Linda J. Gregory
R. Fern Spencer
Katherine M. Townsend, C.P.A.

Overview of the Department of Accounts:

Major activities of the Department of Accounts include maintaining the general accounting records of the Commonwealth; developing and implementing modern systems of accounting; auditing expenditures to ensure compliance with State laws supporting administrative regulations; issuing warrants for the disbursement of all State funds; prescribing accounts to be kept by State agencies; prescribing forms for payment of claims and travel vouchers; requiring certification or other evidence as a condition to issuance of warrants; approving date of payment of State salaries; allowing money claims against the Commonwealth; assisting agencies in the monitoring of accounts receivable balances; maintaining an Indirect Cost Recovery Program to ensure recovery of full Statewide and agency indirect costs; issuing policies, regulations, memoranda, and forms for the guidance and use of fiscal and personnel officers of public agencies and institutions regarding the handling of, accounting for and reporting on State funds; preparing reports required for sound financial management on a daily, weekly, monthly, quarterly, and annual basis for distribution to the General Assembly, the Governor, State agencies, and to others interested in State government.

Initiatives of the Department of Accounts:

Initiatives of the Department of Accounts for 1988–1989 include the review of proposed changes and the implementation of adopted changes to generally accepted accounting principles; the establishment and continued expansion of on-line data entry, inquiry, and reporting features of the Commonwealth Accounting and Reporting System at the agency level; the continued implementation of the new Commonwealth Integrated Payroll/Personnel System, a modern data base system providing on-line communications with agencies; the establishment of a technical assistance unit, and the development of new and revised procedures to increase the efficiency of collecting the Commonwealth's receivables; the completion of a feasibility study for a Comptroller's Debt Set-Off Program, which would offset monies owed by employees and vendors of the Commonwealth against employee wages and vendor payments; the increased participation of State employees in the Direct Deposit of Employees' Pay Program; assistance in the start-up of the State lottery; participation in the creation of new debt issues for the Transportation Board; and the strengthening of the Internal Audit function within the Department of Accounts.

Christopher Newport College

Location:	Newport News
President:	Dr. Anthony R. Santoro
Faculty–	
Tenured:	73
Non-Tenured:	36
Total Faculty:	109
Student Enrollment–	
Full Time:	2,052
Part Time:	2,359
Total Enrollment:	4,411

Christopher Newport College has an abundance of foilage on its seventy-five acre urban campus offering opportunity for students to share casual hours outside the campus center.

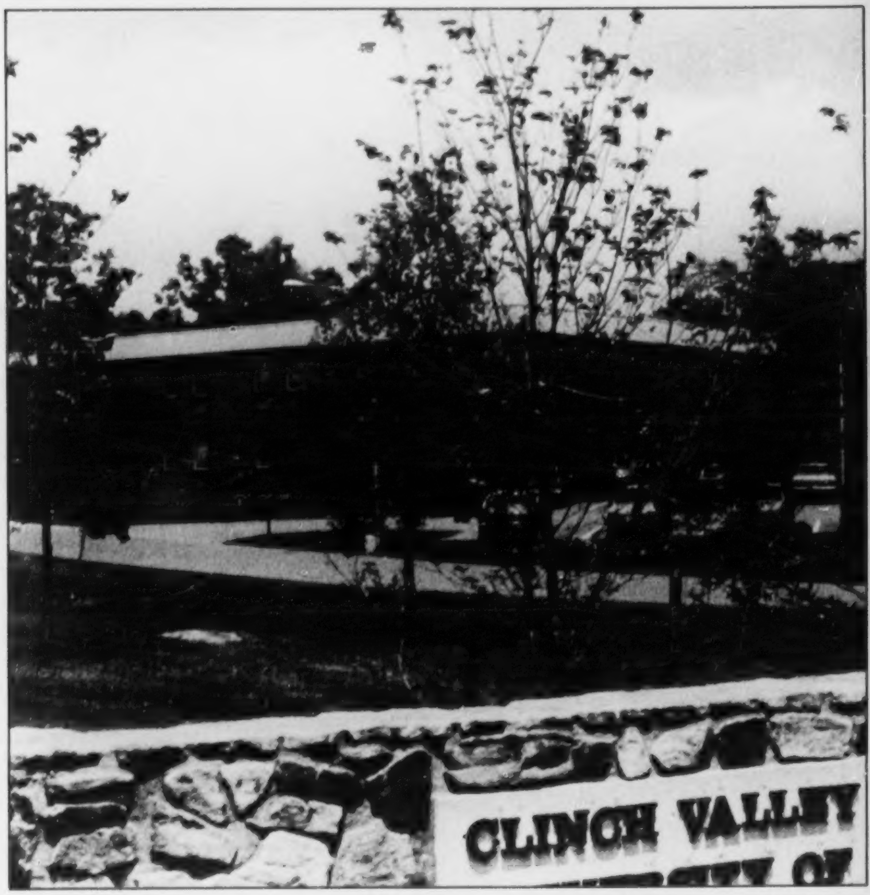
In 1960, the General Assembly of Virginia established CNC as a non-residential two-year branch college of the College of William and Mary. Located in Newport News, the College was named for Captain Newport, an English mariner, who was one of the most important men connected with the permanent settling of Virginia. Captain Newport was in charge of the three vessels that landed in Jamestown in 1607.

In 1969, the Board of Visitors of the College of Willliam and Mary received approval from the General Assembly to add upper-level curricula which would lead to the Bachelor of Arts and Bachelor of Science degrees. Between 1969 and 1976, the College initiated several specialized baccalaureate programs. In 1976, the General Assembly established Christopher Newport College as a four-year baccalaureate institution, completely independent of the College of William and Mary.

As it enters its 28th year, the College offers 44 different majors and concentrations under eight baccalaureate degree programs. The College is committed to meeting the needs of its constituencies through excellence in instruction and through public service and research.

Clinch Valley College

Location:	Wise
President:	Dr. J. A. (Jimmy) Knight
Faculty–	
Tenured:	27
Non-Tenured:	17
Total Faculty:	44
Student Enrollment–	
Full Time:	867
Part time:	596
Total Enrollment:	1,463



The main administration building, Smiddy Hall, was named after the College's first Chancellor, Joseph C. Smiddy, who retired in 1985. There are 17 buildings located on the 400 acre campus.

Clinch Valley College was established in 1954, as a branch of the University of Virginia, and elevated in 1968, to four-year status. It embodies the commitment to excellence which is traditional in the University of Virginia, with the warmth and individual attention that a small residential campus can provide. Clinch Valley College primarily serves Virginia, but its student body includes a growing number from other states and countries.

The College's eight academic departments offer thirteen Baccalaureate majors, including many liberal arts disciplines as well as professional areas of Business, Education, and Medical Technology.

The purpose of the College is to provide quality education in a setting with close student and faculty relationships, striving to provide knowledge and understanding essential to a rich and full life in today's advanced technological environment.

The College of William and Mary

Location:	Williamsburg
President:	Dr. Paul R. Verkuil
Faculty–	
Tenured:	284
Non-Tenured:	100
Total Faculty:	384
Student Enrollment–	
Full Time:	6,239
Part time:	953
Total Enrollment:	7,192

The College of William and Mary, Sir Christopher Wren Building, c. 1695, is the oldest academic structure in continuous use in America.

The College of William and Mary, founded by royal charter in 1693, is the second oldest institution of higher learning in the United States and the first American College to receive its charter from the English crown. William and Mary was also the first and only college to receive a coat-of-arms from the College of Heralds and the first college to establish the Honor System and the Elective System of Study, as well as the first college in the United States to establish an intercollegiate fraternity, Phi Beta Kappa.

The College first received support from the Commonwealth in 1888, and in 1906, by Act of the General Assembly, became a State-supported institution. William and Mary today is a coeducational State university, offering several baccalaureate degrees and master's degrees in 17 fields and doctorate degrees in seven, in addition to a law degree, Juris Doctor. The school of Marine Science located at Gloucester Point is an integral part of the College.

Financial Section

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Combining and Individual Fund Statements 81

Commonwealth of Virginia
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23210
Walter J. Kucharski, Auditor

November 29, 1988

The Honorable Gerald L. Baliles
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Robert B. Ball, Sr.
Chairman, Joint Legislative Audit and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

Gentlemen:

We have audited the general purpose financial statements of the Commonwealth of Virginia as of and for the year ended June 30, 1988, as listed in the Table of Contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain component units of the Commonwealth discussed in Note 1(B) which statements reflect total assets of $3,977,069,000 as of June 30, 1988, and total revenues of $397,703,000 for the year then ended. The financial statements of these component units were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for Enterprise Funds—Public Benefit Corporations, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Virginia as of June 30, 1988, and the results of its operations and changes in financial position of its proprietary fund types and similar trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 6 to the financial statements, the Commonwealth of Virginia changed its method of accounting for transactions of certain funds in 1988.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements. The combining and individual fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Virginia. This information, and not the information in the Introductory and Statistical Sections, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the fund types and account groups included in the general purpose financial statements taken as a whole. We express no opinion on the information in the Introductory or Statistical Sections.

Sincerely,

Walter J Kucharski

AUDITOR OF PUBLIC ACCOUNTS

Combined Balance Sheet
All Fund Types and Account Groups

June 30, 1988

(Dollars in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and Cash Equivalents (Note 2):				
State	$ 90,023	$ 413,344	$ 12,466	$ 118,953
Public Benefit Corporations	—	—	—	—
Cash and Investments with Trustees (Note 2)	—	—	31,418	19,848
Petty Cash and Travel Advances	3,879	1,548	—	—
Taxes, Loans, Accounts, and Other Receivables (Net) (Notes 1 and 2):				
State	320,476	196,626	—	—
Public Benefit Corporations	—	—	—	—
Due from Other Funds (Note 3)	6,181	2	—	—
Interfund Receivables (Note 3)	35,666	22,263	—	—
Loans Receivable From Proprietary Funds (Note 1)	20,495	253,365	—	—
Investments (Notes 1 and 2):				
State	320,022	2,989	15,186	24,873
Public Benefit Corporations	—	—	—	—
Inventory (Note 1)	—	—	—	—
Restricted Assets	—	—	—	—
Prepaid Expenses (Note 2)	12,194	10,347	—	—
Other Assets	—	—	372	—
Property, Plant, and Equipment (Notes 1 and 2)	—	—	—	—
Systems Development Costs (Net) (Note 1)	—	—	—	—
Unamortized Bond Issuance Expense	—	—	—	—
Amount Available for Retirement of Long-Term Debt	—	—	—	—
Amount to be Provided by the Commonwealth for Retirement of Long-Term Debt	—	—	—	—
Amount to be Provided by Other Sources for Retirement of Long-Term Debt	—	—	—	—
Total Assets	$ 808,936	$ 900,484	$ 59,442	$ 163,674
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 70,630	$ 184,341	$ —	$ 1,799
Tax Refunds Payable (Note 1)	35,196	—	—	—
Amounts Due to Other Governments	103,368	29,356	—	—
Accrued Interest Payable:				
Public Benefit Corporations	—	—	—	—
Deposits Pending Distribution	129	1,771	—	—
Claims Payable	—	—	—	—
Notes Payable (Note 4)	—	—	—	—
Other Liabilities	—	—	—	—
Due to Other Funds (Note 3)	8,107	1,598	—	—
Interfund Payables (Note 3)	—	—	—	24,965
Loans Payable (Note 1)	—	—	—	—
Deferred Revenue (Note 1)	366	1,661	—	—
Deferred Credit (Note 1)	237,935	—	—	—
General Obligation Bonds Payable (Note 4)	—	—	—	—
Transportation Bonds Payable (Note 4)	—	—	—	—
Higher Education Bonds Payable (Note 4)	—	—	—	—
Matured Interest Payable	—	—	5,813	—
Matured Debt Payable	—	—	3,992	—
Norfolk-Virginia Beach Toll Road Revenue Bonds (Note 4)	—	—	—	—
Long-Term Debt of Virginia Port Authority and Virginia Public Building Authority (Note 4)	—	—	—	—
Bonds Payable—Public Benefit Corporations (Note 4)	—	—	—	—
Due to Program Participants, Escrows, and Providers	—	—	—	—
Capital Lease Obligations (Note 4)	—	—	—	—
Accrued Liability for Compensated Absences (Note 1)	299	141	—	10
Total Liabilities	456,030	218,868	9,805	26,774
Fund Equity:				
Net Investment in Plant	—	—	—	—
Investment in General Fixed Assets	—	—	—	—
Contributed Capital (Note 2)	—	—	—	—
Retained Earnings:				
State	—	—	—	—
Public Benefit Corporations	—	—	—	—
Fund Balances:				
Reserved/Restricted (Notes 1 and 2)	20,495	253,365	49,637	—
Unreserved:				
Designated (Notes 1 and 2)	330,461	—	—	136,900
Undesignated/Unrestricted (Note 1)	121,193	519,726	—	—
Fund Balance—Budgetary Basis—General and Special Revenue Funds	472,149	773,091		
Adjustments from Budget to GAAP (Notes 1 and 2)	(119,243)	(91,475)		
Total Fund Equity	352,906	681,616	49,637	136,900
Total Liabilities and Fund Equity	$ 808,936	$ 900,484	$ 59,442	$ 163,674

The accompanying notes are an integral part of this financial statement.

Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Totals (Memorandum Only)	
Enterprise	**Internal Service**	**Trust and Agency**	**General Fixed Assets**	**General Long-Term Debt**	**Higher Education**	**June 30, 1988**	**June 30, 1987**
$ 7,338	$ 16,576	$ 892,002	$ —	$ —	$ 459,915	**$ 2,010,617**	$ 2,482,468
703,710	—	—	—	—	—	**703,710**	783,584
—	11,870	672,819	—	—	126,185	**862,140**	757,619
8	34	11	—	—	—	**5,480**	5,326
1,675	14,058	179,945	—	—	232,414	**945,194**	879,923
2,872,745	—	—	—	—	—	**2,872,745**	2,520,655
—	5,862	—	—	—	40,097	**52,142**	69,590
—	—	—	—	—	—	**57,929**	45,560
—	—	—	—	—	—	**273,860**	264,827
—	—	7,426,070	—	—	514,163	**8,303,303**	6,848,871
1,075,103	—	—	—	—	—	**1,075,103**	949,450
30,887	10,588	488	—	—	24,553	**66,516**	64,839
1,361	—	—	—	—	—	**1,361**	—
836	3,167	—	—	—	19,319	**45,863**	6,787
—	—	54,330	—	—	9,339	**64,041**	10,609
36,203	30,587	1,593	1,546,717	—	2,794,253	**4,409,353**	4,012,206
404	—	—	—	—	—	**404**	443
7,063	—	—	—	—	—	**7,063**	8,065
—	—	—	—	49,637	—	**49,637**	38,539
—	—	—	—	401,445	—	**401,445**	379,461
—	—	—	—	245,842	—	**245,842**	165,528
$ 4,737,333	$ 92,742	$ 9,227,258	$ 1,546,717	$ 696,924	$ 4,220,238	**$ 22,453,748**	$ 20,294,350
$ 36,916	$ 5,916	$ 125,977	$ —	$ —	$ 105,305	**$ 530,884**	$ 549,733
—	—	—	—	—	—	**35,196**	34,278
20,842	—	229,001	—	—	—	**382,567**	472,499
85,628	—	—	—	—	—	**85,628**	76,998
—	—	8,883	—	—	39,303	**50,086**	64,190
—	—	—	—	40,979	—	**40,979**	25,672
136,576	6,985	—	—	13,157	35,869	**192,587**	155,294
5,564	170	5,030	—	—	17,206	**27,970**	10,362
6,183	—	132	—	—	36,122	**52,142**	69,590
12,342	2,730	—	—	—	17,892	**57,929**	45,560
258,365	15,495	—	—	—	—	**273,860**	264,827
16,925	1,820	2,388	—	—	44,686	**67,846**	71,547
—	—	—	—	—	—	**237,935**	282,004
—	—	—	—	65,750	—	**65,750**	72,325
—	—	—	—	133,600	—	**133,600**	135,100
—	—	—	—	—	551,672	**551,672**	570,264
—	—	—	—	—	—	**5,813**	5,439
475	—	—	—	—	—	**4,467**	1,987
—	—	—	—	12,480	—	**12,480**	17,690
—	—	—	—	270,991	—	**270,991**	173,562
3,643,568	—	—	—	—	—	**3,643,568**	3,370,033
64,545	—	166,516	—	—	—	**231,061**	192,571
569	—	—	—	15,952	6,089	**22,610**	21,582
6,454	2,109	294	—	144,015	65,534	**218,856**	206,874
4,294,952	35,225	538,221	—	696,924	919,678	**7,196,477**	6,889,981
—	—	—	—	—	2,323,749	**2,323,749**	2,077,754
—	—	—	1,546,717	—	—	**1,546,717**	1,448,703
24,648	5,676	—	—	—	—	**30,324**	19,188
6,980	51,841	—	—	—	—	**58,821**	45,978
410,753	—	—	—	—	—	**410,753**	385,109
—	—	7,597,886	—	—	238,799	**8,160,182**	7,080,329
—	—	1,091,151	—	—	—	**1,558,512**	1,341,265
—	—	—	—	—	738,012	**1,378,931**	1,250,566
						(210,718)	(244,523)
442,381	57,517	8,689,037	1,546,717	—	3,300,560	**15,257,271**	13,404,369
$ 4,737,333	$ 92,742	$ 9,227,258	$ 1,546,717	$ 696,924	$ 4,220,238	**$ 22,453,748**	$ 20,294,350

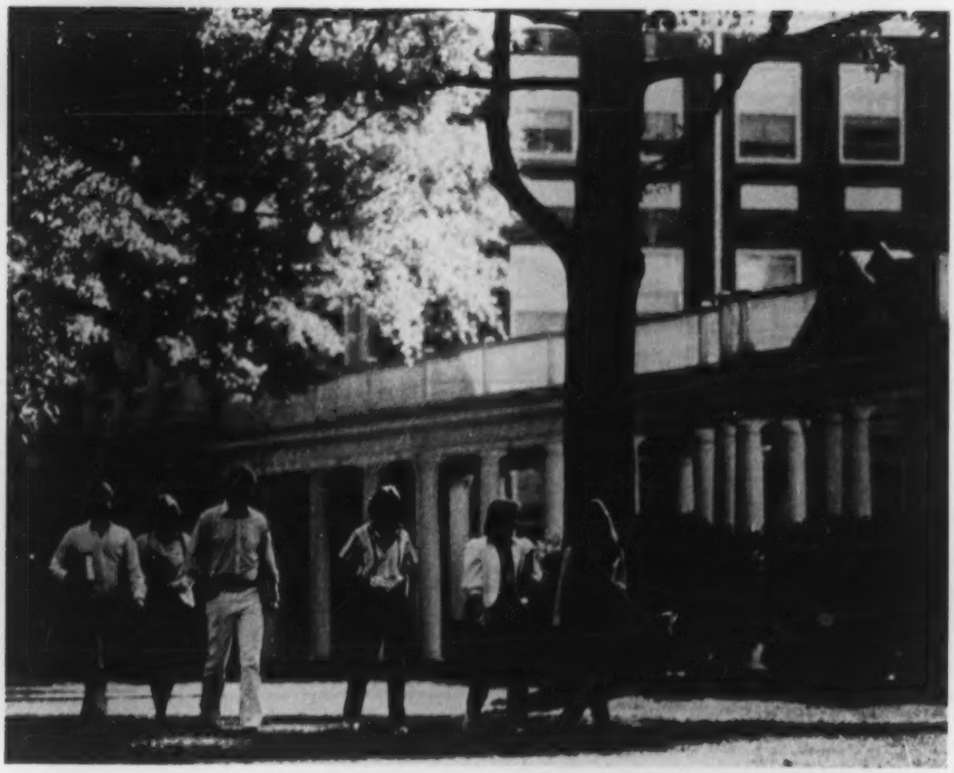
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)	
						Year Ended	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	June 30, 1988	June 30, 1987
Revenues:							
Taxes	$ 4,950,444	$ 1,023,933	$ —	$ —	$ 146,967	**$ 6,121,344**	$ 5,410,411
Rights and Privileges	26,291	430,459	—	—	—	**456,750**	415,979
Assessments and Receipts for Support of Special Services	776	31,338	—	—	423	**32,537**	28,625
Institutional Revenue	2,820	201,534	—	—	8,692	**213,046**	203,254
Interest, Dividends, and Rents	79,050	19,876	5,213	7,200	86,506	**197,845**	260,930
Fines, Forfeitures, Court Fees, Penalties, and Escheats	40,732	37,131	—	—	597	**78,460**	74,104
Federal Grants and Contracts	—	1,578,742	—	—	4,093	**1,582,835**	1,557,481
Revenues from Cities, Counties, and Towns	1,034	71,951	—	—	—	**72,985**	97,169
Private Donations, Gifts, and Contracts	73	841	—	—	171	**1,085**	1,741
Contributions	—	—	—	—	61,838	**61,838**	163,174
Other	40,604	58,589	—	87	11,219	**110,499**	73,882
Total Revenues	5,141,824	3,454,394	5,213	7,287	320,506	**8,929,224**	8,286,750
Expenditures:							
Current:							
General Government	275,839	55,718	—	—	48,994	**380,551**	425,326
Education	1,948,689	174,982	—	—	1,014	**2,124,685**	1,946,810
Transportation	10,441	1,668,824	—	—	—	**1,679,265**	1,435,771
Resources and Economic Development	147,333	129,969	—	—	5,167	**282,469**	257,952
Individual and Family Services	886,446	1,292,771	—	—	160,827	**2,340,044**	2,128,138
Administration of Justice	746,425	12,223	—	—	6,587	**765,235**	690,882
Capital Projects	46,196	26,104	—	65,607	852	**138,759**	128,296
Debt Service:							
Principal Retirement	—	—	21,976	—	—	**21,976**	17,169
Interest and Charges	—	—	19,660	—	—	**19,660**	42,175
Total Expenditures	4,061,369	3,360,591	41,636	65,607	223,441	**7,752,644**	7,072,519
Revenues Over (Under) Expenditures	1,080,455	93,803	(36,423)	(58,320)	97,065	**1,176,580**	1,214,231
Other Financing Sources (Uses):							
Transfers:							
Operating Transfers In	448,895	701,011	33,657	19,500	54,314	**1,257,377**	1,598,676
Operating Transfers Out	(1,480,661)	(731,496)	—	(9,217)	(19,398)	**(2,240,772)**	(2,529,881)
ABC Profit	25,897	—	—	—	—	**25,897**	28,905
Appropriations Act	21,532	(10,385)	—	—	(139)	**11,008**	8,199
Proceeds from Capital Leases	193	409	—	826	—	**1,428**	7,277
Proceeds from Sale of Bonds	—	—	13,864	92,256	—	**106,120**	78,000
Proceeds of Refunding Bonds	—	—	—	—	—	—	157,855
Payment to Refunded Bond Escrow Agent	—	—	—	—	—	—	(144,395)
Total Other Financing Sources (Uses)	(984,144)	(40,461)	47,521	103,365	34,777	**(838,942)**	(795,364)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	96,311	53,342	11,098	45,045	131,842	**337,638**	418,867
Fund Balance, July 1, as adjusted (Note 6)	256,595	628,274	38,539	91,855	957,788	**1,973,051**	1,554,184
Fund Balance, June 30	$ 352,906	$ 681,616	$ 49,637	$ 136,900	$ 1,089,630	**$ 2,310,689**	$ 1,973,051

The accompanying notes are an integral part of this financial statement.



Longwood College emphasizes "Total Student Development" (intellectual, career, interpersonal, social) and provides activities and opportunities for participation, leadership, and a well-rounded college experience.

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis General and Special Revenue Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$4,766,000	$4,880,047	$ 114,047
Rights and Privileges	26,300	26,813	513
Assessments and Receipts for Support of Special Services	500	712	212
Institutional Revenue	2,600	2,695	95
Interest, Dividends, and Rents	83,500	79,596	(3,904)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	39,800	40,367	567
Federal Grants and Contracts	—	—	—
Revenues from Cities, Counties, and Towns	900	1,078	178
Private Donations, Gifts, and Contracts	—	—	—
Other	19,500	23,926	4,426
Total Revenues	4,939,100	5,055,234	116,134
Expenditures:			
Current:			
General Government	312,596	279,295	33,301
Education	1,994,511	1,990,484	4,027
Transportation	16,096	16,090	6
Resources and Economic Development	163,260	155,802	7,458
Individual and Family Services	987,854	986,719	1,135
Administration of Justice	759,806	752,188	7,618
Capital Projects	41,912	41,912	—
Total Expenditures	4,276,035	4,222,490	53,545
Revenues Over (Under) Expenditures	663,065	832,744	169,679
Other Financing Sources (Uses):			
Transfers:			
Higher Education (Educational and General)	(800,461)	(798,148)	2,313
Other	(66,898)	(78,217)	(11,319)
ABC Profit	26,000	26,259	259
Appropriations Act	46,400	38,636	(7,764)
Total Other Financing Sources (Uses)	(794,959)	(811,470)	(16,511)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(131,894)	21,274	153,168
Fund Balance, July 1, as adjusted	450,875	450,875	—
Fund Balance, June 30	$ 318,981	$ 472,149	$ 153,168

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 1,094,801	$ 1,022,494	$ (72,307)	$ 5,860,801	$ 5,902,541	$ 41,740
368,191	432,017	63,826	394,491	458,830	64,339
25,747	31,578	5,831	26,247	32,290	6,043
207,041	205,548	(1,493)	209,641	208,243	(1,398)
15,862	18,292	2,430	99,362	97,888	(1,474)
25,865	35,770	9,905	65,665	76,137	10,472
1,696,101	1,556,080	(140,021)	1,696,101	1,556,080	(140,021)
58,714	82,225	23,511	59,614	83,303	23,689
1,163	905	(258)	1,163	905	(258)
162,202	133,797	(28,405)	181,702	157,723	(23,979)
3,655,687	3,518,706	(136,981)	8,594,787	8,573,940	(20,847)
78,532	53,945	24,587	391,128	333,240	57,888
252,898	174,030	78,868	2,247,409	2,164,514	82,895
1,924,347	1,680,485	243,862	1,940,443	1,696,575	243,868
160,111	129,475	30,636	323,371	285,277	38,094
1,392,577	1,306,818	85,759	2,380,431	2,293,537	86,894
22,924	12,431	10,493	782,730	764,619	18,111
23,682	23,682	—	65,594	65,594	—
3,855,071	3,380,866	474,205	8,131,106	7,603,356	527,750
(199,384)	137,840	337,224	463,681	970,584	506,903
—	—	—	(800,461)	(798,148)	2,313
(2,200)	(32,880)	(30,680)	(69,098)	(111,097)	(41,999)
—	—	—	26,000	26,259	259
(12,237)	(10,386)	1,851	34,163	28,250	(5,913)
(14,437)	(43,266)	(28,829)	(809,396)	(854,736)	(45,340)
(213,821)	94,574	308,395	(345,715)	115,848	461,563
678,517	678,517	—	1,129,392	1,129,392	—
$ 464,696	$ 773,091	$ 308,395	$ 783,677	$ 1,245,240	$ 461,563

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only) Year Ended	
	Enterprise	Internal Service	Pension Trust	Non-expendable Trust	June 30, 1988	June 30, 1987
Operating Revenues:						
Interest, Dividends, and Rents:						
State	$ —	$ —	$ 413,625	$ —	$ 413,625	$ 347,353
Public Benefit Corporations	363,776	—	—	—	363,776	328,174
Special Allowance Income	6,164	—	—	—	6,164	5,645
Charges for Sales and Services	351,114	177,133	—	—	528,247	483,340
Contributions	—	—	731,899	82	731,981	665,528
Net Gain (Loss) on Sale of Investments	—	—	279,540	146	279,686	676,672
Other	1,050	570	688	—	2,308	1,068
Total Operating Revenues	722,104	177,703	1,425,752	228	2,325,787	2,507,780
Operating Expenses:						
Interest Expense:						
Public Benefit Corporations	297,585	—	—	—	297,585	270,563
Cost of Sales and Services	214,382	38,975	—	—	253,357	246,263
Retirement Benefits	—	—	307,786	—	307,786	277,673
Insurance Claims	—	28,418	—	—	28,418	22,991
Refunds to Former Members	—	—	28,724	—	28,724	28,625
Personal Services	61,678	24,290	4,116	—	90,084	82,522
Contractual Services	34,255	43,208	3,570	—	81,033	76,600
Supplies and Materials	4,504	3,231	106	—	7,841	6,683
Grants and Distributions to Localities	63	13	—	—	76	68
Expendable Equipment	672	317	33	—	1,022	899
Depreciation	3,160	13,625	147	—	16,932	17,389
Amortization	1,328	—	—	—	1,328	1,443
Rent, Insurance, and Other Related Charges	8,308	7,773	824	—	16,905	11,070
Other	5,360	269	149	—	5,778	7,668
Total Operating Expenses	631,295	160,119	345,455	—	1,136,869	1,050,457
Operating Income (Loss):						
State	32,774	17,584	1,080,297	228	1,130,883	1,417,962
Public Benefit Corporations	58,035	—	—	—	58,035	39,361
Total Operating Income (Loss)	90,809	17,584	1,080,297	228	1,188,918	1,457,323
Nonoperating Revenues (Expenses):						
Net Gain (Loss) on Sale of Investments	1,126	—	—	—	1,126	394
Interest, Dividends, and Rents	24	32	4	—	60	(1,954)
Discounts	—	—	—	—	—	121
Gain (Loss) on Sale of Fixed Assets	(20)	(33)	—	—	(53)	157
Grants and Shared Revenue	149	—	—	—	149	2
Other	152	153	2,221	—	2,526	771
Total Nonoperating Revenues (Expenses)	1,431	152	2,225	—	3,808	(509)
Income (Loss) before Transfers	92,240	17,736	1,082,522	228	1,192,726	1,456,814
Transfers:						
Operating Transfers In	—	19	704,764	—	704,783	1,135,560
Operating Transfers Out	(8,263)	(1,282)	(704,764)	—	(714,309)	(1,161,728)
ABC Profit	(25,897)	—	—	—	(25,897)	(28,905)
Appropriations Act	(7,295)	(3,517)	—	—	(10,812)	(8,199)
Total Transfers	(41,455)	(4,780)	—	—	(46,235)	(63,272)
Net Income (Loss) before Extraordinary Items	50,785	12,956	1,082,522	228	1,146,491	1,393,542
Extraordinary Items:						
Loss on Debt Defeasance (Note 4)	(4,412)	—	—	—	(4,412)	—
Loss on Federal Recovery of Excess Reserves (Note 12)	(20,842)	—	—	—	(20,842)	—
Total Extraordinary Losses	(25,254)	—	—	—	(25,254)	—
Net Income (Loss):						
State	(113)	12,956	1,082,522	228	1,095,593	1,379,853
Public Benefit Corporations	25,644	—	—	—	25,644	13,689
Total Net Income (Loss)	25,531	12,956	1,082,522	228	1,121,237	1,393,542
Retained Earnings/Fund Balances, July 1, as adjusted (Note 6):						
State	7,093	38,885	6,514,750	1,907	6,562,635	5,182,782
Public Benefit Corporations	385,109	—	—	—	385,109	371,420
Total Retained Earnings/Fund Balances, July 1, as adjusted	392,202	38,885	6,514,750	1,907	6,947,744	5,554,202
Retained Earnings/Fund Balances, June 30:						
State	6,980	51,841	7,597,272	2,135	7,658,228	6,562,635
Public Benefit Corporations	410,753	—	—	—	410,753	385,109
Total Retained Earnings/Fund Balances, June 30	$ 417,733	$ 51,841	$ 7,597,272	$ 2,135	$ 8,068,981	$ 6,947,744

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Financial Position All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)	
					Year Ended	
	Enterprise	Internal Service	Pension Trust	Non-expendable Trust	June 30, 1988	June 30, 1987
Sources of Working Capital:						
Operations:						
Net Income (Loss):						
State	$ (113)	$ 12,956	$ 1,082,522	$ 228	$ 1,095,593	$ 1,379,853
Public Benefit Corporations	25,644	—	—	—	25,644	13,689
Total Income (Loss)	25,531	12,956	1,082,522	228	1,121,237	1,393,542
Items Not Requiring Working Capital:						
Depreciation	3,160	13,625	147	—	16,932	17,389
Amortization	1,328	—	26,407	—	27,735	(6,653)
Loss (Gain) on Fixed Assets	20	32	—	—	52	(157)
Total Working Capital Provided by Operations	30,039	26,613	1,109,076	228	1,165,956	1,404,121
Sale of Fixed Assets	—	866	—	—	866	2,520
Increase in Contributed Capital	11,157	—	—	—	11,157	10,620
Increase in Long-Term Debt Payable:						
State	5,030	51	22	—	5,103	2,967
Public Benefit Corporations	330,015	—	—	—	330,015	291,003
Decrease in Bond Issuance Expense	281	—	—	—	281	—
Decrease in Long-Term Receivables	12,268	—	—	—	12,268	4,877
Decrease in Long-Term Investments	45,257	—	—	—	45,257	515,875
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—	2,203
Total Sources of Working Capital	434,047	27,530	1,109,098	228	1,570,903	2,234,186
Uses of Working Capital:						
Acquisition of Property, Plant, and Equipment	14,037	6,800	834	—	21,671	19,326
Increase in Bond Issuance Expense	456	—	—	—	456	364
Increase in Systems Development Costs	111	—	—	—	111	9,958
Increase in Long-Term Investments	165,497	—	1,272,454	93	1,438,044	1,529,888
Increase in Long-Term Receivables	368,590	—	—	—	368,590	92,487
Increase in Restricted Assets	169	—	—	—	169	—
Decrease in Long-Term Debt Payable	22,930	5,808	—	—	28,738	8,207
Decrease in Contributed Capital	—	20	—	—	20	882
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—	2,203
Decrease in Capital Leases	—	—	—	—	—	361
Total Uses of Working Capital	571,790	12,628	1,273,288	93	1,857,799	1,663,676
Net Increase (Decrease) in Working Capital	$ (137,743)	$ 14,902	$ (164,190)	$ 135	$ (286,896)	$ 570,510
Elements of Net Increase (Decrease) in Working Capital:						
Cash and Cash Equivalents	$ (70,692)	$ 3,088	$ (170,182)	$ 137	$ (237,649)	$ 601,957
Receivables:						
State	10	6,578	5,927	—	12,515	4,635
Public Benefit Corporations	(4,232)	—	—	—	(4,232)	4,006
Inventories	(2,337)	(645)	—	—	(2,982)	127
Prepaid Expenses	571	2,935	—	—	3,506	233
Payables, Deposits, and Other Liabilities	(40,535)	3,220	65	(2)	(37,252)	(36,448)
Deferred Revenue	(7,406)	(274)	—	—	(7,680)	(1,651)
Due to Program Participants, Escrows, and Providers	(13,122)	—	—	—	(13,122)	(2,349)
Net Increase (Decrease) in Working Capital	$ (137,743)	$ 14,902	$ (164,190)	$ 135	$ (286,896)	$ 570,510

The accompanying notes are an integral part of this financial statement.

Combined Statement of Changes in Fund Balances Higher Education Fund

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 1,081,038	$ —	$ —	$ —
Federal Grants and Contracts–Restricted	—	195,994	643	325
State Grants and Contracts–Restricted	—	46,094	—	—
Local Grants and Contracts–Restricted	—	11,971	—	—
Private Gifts, Grants, and Contracts–Restricted	—	74,699	24	11,600
Investment Income	—	5,065	206	259
Endowment Income	—	14,320	53	5
Interest on Loans Receivable	—	—	1,035	—
U.S. Government Advances	—	—	360	—
Expended for Plant Facilities (including $125,787 charged to current funds)	—	—	—	—
Retirement of Indebtedness (including $7,479 charged to current funds)	—	—	—	—
Realized Gain on Investments	—	26	12	19,620
Other Sources	—	3,954	920	92
Total Revenues and Other Additions	1,081,038	352,123	3,253	31,901
Expenditures and Other Deductions:				
Educational and General Expenditures	1,227,782	327,840	—	—
Auxiliary Enterprise Expenditures	235,468	361	—	—
Hospital Expenditures	426,351	405	—	—
Indirect Costs Recovered	—	36,826	—	—
Refunded to Grantors	—	130	92	—
Loan Cancellations	—	—	586	—
Administrative and Collection Costs	—	33	314	—
Expended for Plant Facilities (including non-capitalized expenditures of $6,296)	—	—	—	—
Retirement of Plant Facilities	—	—	—	—
Retirement of Indebtedness	—	—	—	—
Interest on Indebtedness	—	—	—	—
Realized Loss on Investments	—	3	—	499
Unrealized Loss on Investments	—	—	—	32,394
Other	—	558	—	666
Total Expenditures and Other Deductions	1,889,601	366,156	992	33,559
Transfers Among Funds:				
Operating Transfers In	911,220	—	—	—
Mandatory:				
Appropriations Act	(196)	—	—	—
Debt Service and Other	(45,433)	9,622	148	6
Nonmandatory:				
Debt Service and Other	(246)	(48)	—	4
(To)/From Other Funds	(31,562)	(13,405)	38	10,300
Total Transfers	833,783	(3,831)	186	10,310
Net Increase (Decrease) for the Year	25,220	(17,864)	2,447	8,652
Fund Balance, July 1	135,340	101,036	61,420	458,783
Fund Balance, June 30	$ 160,560	$ 83,172	$ 63,867	$ 467,435

The accompanying notes are an integral part of this financial statement.

Plant Funds				Total
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Year Ended June 30, 1988
$ —	$ —	$ —	$ —	**$ 1,081,038**
83	100	—	—	**197,145**
5,458	6,513	—	1,513	**59,578**
1,164	25	—	—	**13,160**
6,919	—	646	3,424	**97,312**
4,565	104	10,265	—	**20,464**
98	—	—	—	**14,476**
261	—	—	—	**1,296**
—	—	—	—	**360**
—	—	—	228,752	**228,752**
—	—	—	31,812	**31,812**
—	—	—	—	**19,658**
3,485	774	2,265	2,396	**13,886**
22,033	7,516	13,176	267,897	**1,778,937**
—	—	—	—	**1,555,622**
—	—	—	—	**235,829**
—	—	—	—	**426,756**
—	—	—	—	**36,826**
—	—	—	—	**222**
—	—	—	—	**586**
—	—	529	—	**876**
102,494	6,767	—	—	**109,261**
—	—	—	19,841	**19,841**
—	—	24,333	—	**24,333**
—	—	39,110	7	**39,117**
—	—	—	—	**502**
—	—	—	—	**32,394**
296	1,213	1,106	781	**4,620**
102,790	7,980	65,078	20,629	**2,486,785**
72,211	—	—	9,490	**992,921**
—	—	—	—	**(196)**
757	71	44,192	(9,363)	—
9	5	276	—	—
25,078	4,175	6,776	(1,400)	—
98,055	4,251	51,244	(1,273)	**992,725**
17,298	3,787	(658)	245,995	**284,877**
69,602	3,115	108,633	2,077,754	**3,015,683**
$ 86,900	$ 6,902	$ 107,975	$ 2,323,749	**$ 3,300,560**

Combined Statement of Current Funds Revenues, Expenditures, and Other Changes Higher Education Fund

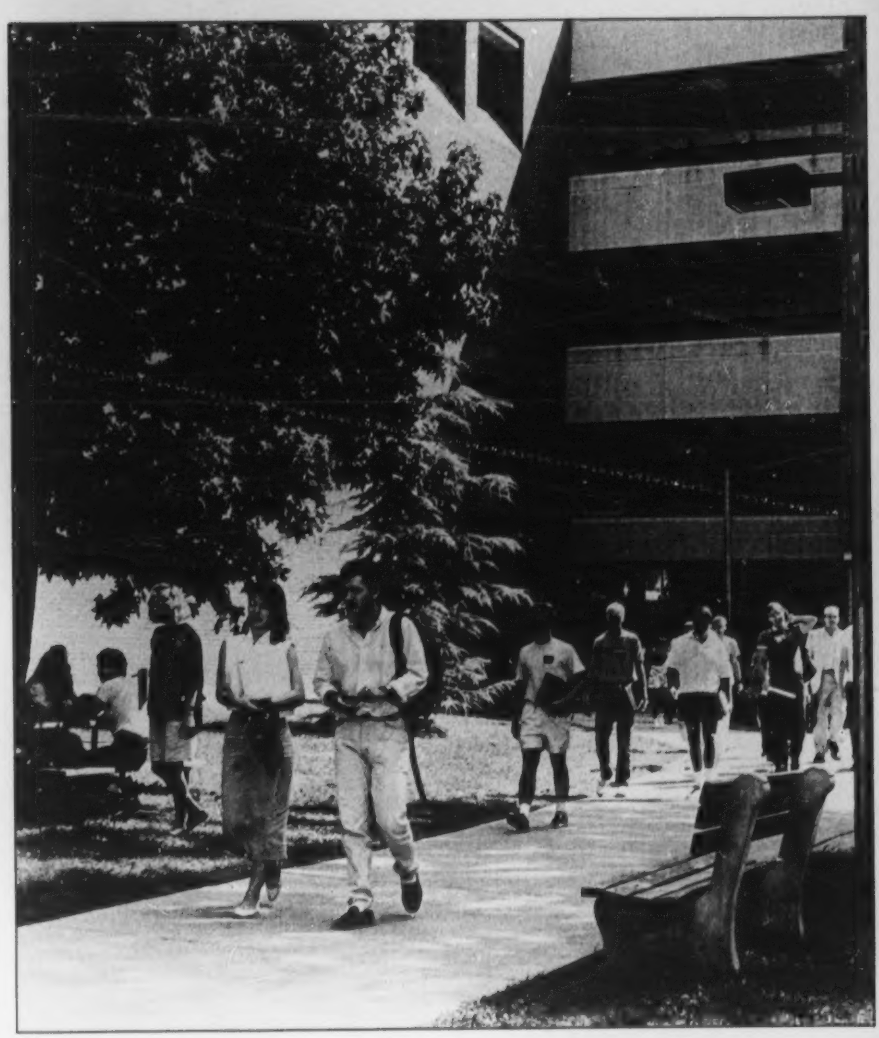
For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Current Funds		Totals Year Ended	
	Unrestricted	Restricted	June 30, 1988	June 30, 1987
Revenues:				
Student Tuition and Fees	$ 366,625	$ —	$ **366,625**	$ 333,920
Federal Government Appropriations	—	—	**—**	15,662
Federal Grants and Contracts	32,916	178,594	**211,510**	180,625
State Grants and Contracts	—	47,913	**47,913**	40,014
Local Grants and Contracts	1,078	12,690	**13,768**	12,403
Private Gifts, Grants, and Contracts	6,648	67,569	**74,217**	58,207
Endowment Income	6,300	10,296	**16,596**	14,608
Sales and Services of Educational Departments	11,502	111	**11,613**	10,431
Sales and Services of Auxiliary Enterprises	276,933	—	**276,933**	250,293
Sales and Services of Hospitals	323,976	—	**323,976**	324,776
Sales and Services of Independent Operations	—	148	**148**	109
Sales and Services of Vending Commissions	77	—	**77**	1,050
Investment Income	315	533	**848**	1,067
Indirect Cost Recovery	25	—	**25**	22
Other Sources	54,643	1,130	**55,773**	31,346
Total Current Revenues	1,081,038	318,984	**1,400,022**	1,274,533
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	622,465	54,211	**676,676**	614,457
Research	41,497	151,159	**192,656**	173,399
Public Service	34,783	27,538	**62,321**	59,139
Academic Support	161,413	7,886	**169,299**	153,764
Student Services	68,695	1,768	**70,463**	67,799
Institutional Support	169,268	5,511	**174,779**	159,050
Operation and Maintenance of Plant	117,564	1,698	**119,262**	110,880
Scholarships and Fellowships	11,957	76,376	**88,333**	79,185
Financial Assistance for Educational and General Services	140	1,693	**1,833**	603
Total Educational and General	1,227,782	327,840	**1,555,622**	1,418,276
Mandatory Transfers for Debt Service and Other	7,081	(9,622)	**(2,541)**	111,264
Total Educational and General Expenditures and Mandatory Transfers	1,234,863	318,218	**1,553,081**	1,529,540
Auxiliary Enterprises:				
Operating Expenditures	235,468	361	**235,829**	212,203
Mandatory Transfers for Debt Service	25,672	—	**25,672**	27,340
Total Auxiliary Enterprise Expenditures and Mandatory Transfers	261,140	361	**261,501**	239,543
Hospitals and Independent Operations:				
Operating Expenditures	426,351	405	**426,756**	377,975
Mandatory Transfers for Debt Service	12,876	—	**12,876**	10,956
Total Hospital and Independent Operations Expenditures and Mandatory Transfers	439,227	405	**439,632**	388,931
Total Expenditures and Mandatory Transfers	1,935,230	318,984	**2,254,214**	2,158,014
Other Transfers and Additions (Deductions):				
Operating Transfers In	911,220	—	**911,220**	939,009
Excess of Restricted Receipts Over Transfers to Revenues	—	(4,281)	**(4,281)**	17,522
Refunded to Grantors	—	(130)	**(130)**	(122)
Nonmandatory Transfers	(31,808)	(13,453)	**(45,261)**	(32,165)
Net Increase (Decrease) in Fund Balance	$ 25,220	$ (17,864)	$ **7,356**	$ 40,763

The accompanying notes are an integral part of this financial statement.

George Mason University

Location:	Fairfax
President:	Dr. George W. Johnson
Faculty–	
Tenured:	325
Non-Tenured:	251
Total Faculty:	576
Student Enrollment–	
Full Time:	9,433
Part time:	8,679
Total Enrollment:	18,112



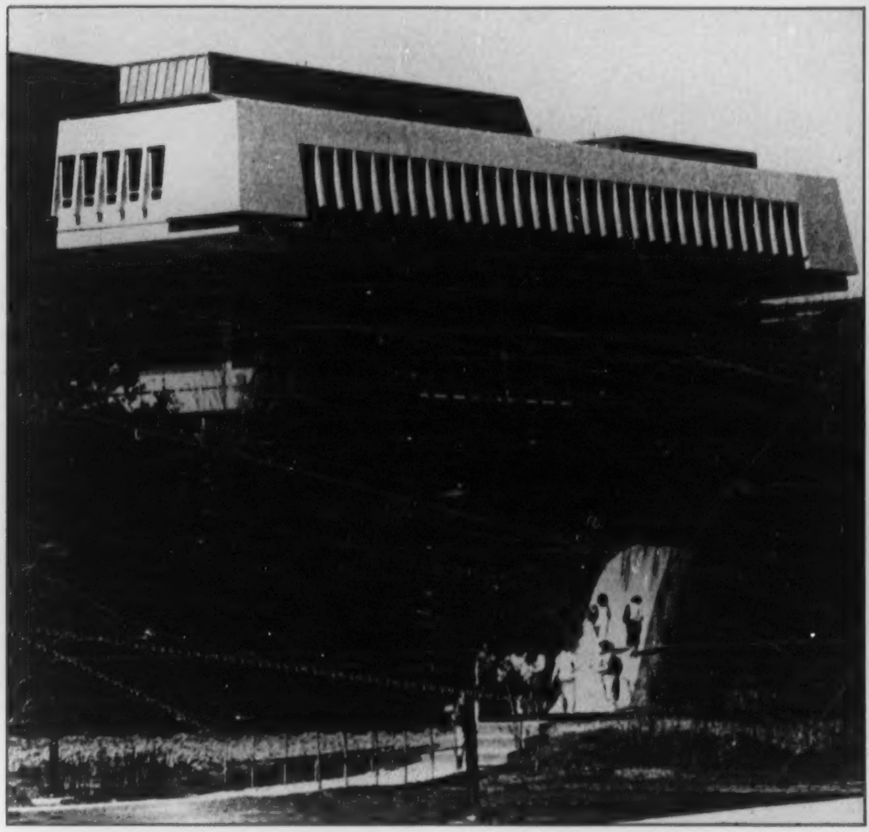
A wooded 600-acre campus at George Mason provides outdoor study and recreation space to more than 18,000 students.

Established in 1957 as a branch of the University of Virginia, George Mason was named for the Virginia statesman and patriot of Gunston Hall in Fairfax County, who wrote the Virginia Declaration of Rights and was influential in convincing his countrymen to add the Bill of Rights to the United States Constitution. In 1972, the General Assembly established George Mason as an independent State-supported university. George Mason University grants 96 undergraduate, graduate and professional degrees, including a law degree, Juris Doctor.

Committed to achieve distinction in the areas of High Technology, Public Policy, and the Arts and Humanities, George Mason University is an interactive university. As example of this, the George Mason Institute was established to work in partnership with public and private industry and other organizations. A new University Arts Center, scheduled for completion in 1989, will have a 2,000-seat concert hall/theatre; a small studio theatre; an art gallery; practice studios for music, dance, and drama; and faculty offices. Arts and humanities are emphasized in balancing the curriculum by concentrating on the human element in a hi-tech society.

James Madison University

Location:	Harrisonburg
President:	Dr. Ronald E. Carrier
Faculty–	
Tenured:	302
Non-Tenured:	155
Total Faculty:	457
Student Enrollment–	
Full Time:	8,989
Part time:	1,530
Total Enrollment:	10,519



In the heart of the Shenandoah Valley, buildings on JMU's "front campus" were constructed with blue limestone taken from the campus itself. With the rapid student and academic growth of the institution, advanced space-planned buildings, such as the Warren Campus Center have been constructed.

The Virginia General Assembly founded James Madison University in 1908 as the State Normal and Industrial School for Women at Harrisonburg. At that time, four years of high school work, as well as two years of advanced education were offered. In 1914, the institution was renamed the State Normal School for Women at Harrisonburg and in 1924, when the General Assembly designated the four year State normal schools as teachers colleges, the institution became known as the State Teachers College at Harrisonburg. In 1916, authorization to award the baccalaureate degree was granted and high school courses were deleted in 1920–21. The school was renamed Madison College in 1938 in honor of Virginian and President, James Madison. The college became educational in 1966, and in 1977, the General Assembly changed the college's status, and the school became James Madison University.

The JMU campus is located in the heart of the Shenandoah Valley, bordered by the Blue Ridge Mountains and the Alleghenies.

James Madison offers 71 academic programs at the undergraduate level, 31 at the master's level and the Educational Specialist in school psychology and counseling psychology. The University's major commitment is to excellence in teaching, recognizing that a sound educational effort emphasizes research and public service.

Longwood College

Location:	Farmville
President:	Dr. William F. Dorrill
Faculty–	
Tenured:	91
Non-Tenured:	46
Total Faculty:	137
Student Enrollment–	
Full Time:	2,747
Part Time:	379
Total Enrollment:	3,126

At Longwood College, Ruffner Hall distinguished by its Rotunda, is the centerpiece of several red-brick Jeffersonian buildings joined by a covered colonnade. Portions of Ruffner were constructed in the late 1850s.

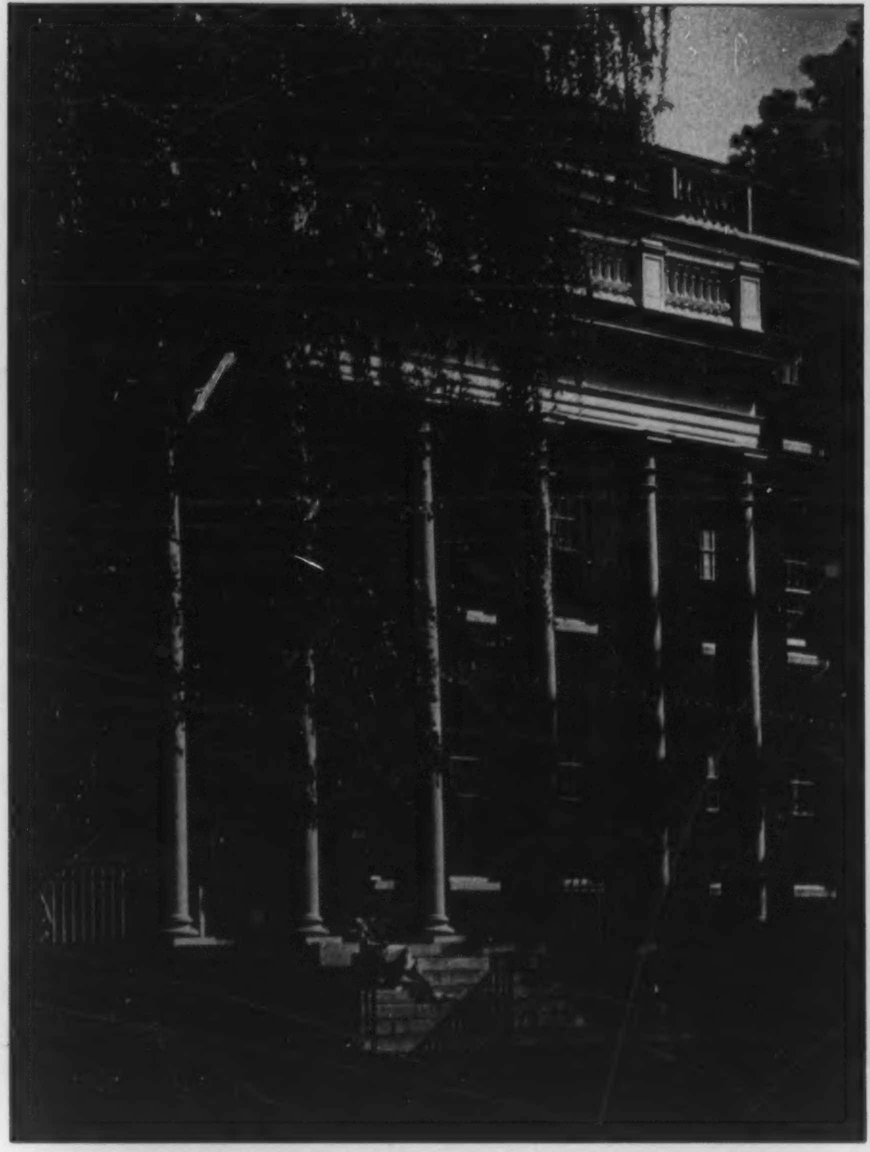
Incorporated in 1839 as Farmville Female Seminary Association, Longwood College acquired its present name in 1949. The College was previously known as the State Normal School (1884–1914), the State Normal School for Women (1914–24), and the State Teachers College at Farmville (1924–49). Today Longwood College is a State-supported, coeducational, medium size, comprehensive college located in a small-town setting.

In a 1988 study by the College Research Group of Prentice Hall Press, Longwood was selected as one of two hundred thirty "Best Values" in higher education in the United States. Increasingly more selective, Longwood has had record levels of applications for each of the past seven years.

A curriculum distinguished by academic excellence is a primary educational objective of the college. There are 26 major programs at the bachelor's level with six undergraduate degrees. At the master's level, the College offers advanced work in education, special education, (Master of Science) and English (Master of Arts). Approximately 25 percent of the students graduating from Longwood College earn the certification to teach.

Mary Washington College

Location:	Fredericksburg
President:	Dr. William M. Anderson
Faculty–	
Tenured:	92
Non-Tenured:	67
Total Faculty:	159
Student Enrollment–	
Full Time:	2,632
Part Time:	720
Total Enrollment:	3,352



Mary Washington College's Center for Historic Preservation is unique in its design to support the undergraduate degree and to provide specialized services to preservation related organizations. Mason Residence Hall is pictured.

Mary Washington College was founded in 1908 as the State Normal and Industrial School for Women in Fredericksburg. In 1924, it became Fredericksburg State Teachers College and in 1938, it was renamed Mary Washington College. Formal affiliation with the University of Virginia began in 1944 when Mary Washington College became the undergraduate women's liberal arts college of the University. Both the University of Virginia and Mary Washington College became coeducational in 1970; and in 1972, the General Assembly made Mary Washington College an independent higher education institution.

The College has evolved into a coeducational selective public college of liberal arts and sciences. Mary Washington offers 35 undergraduate programs in the liberal arts and sciences and compatible professional fields. It also offers a master's degree program in business administration and an interdisciplinary graduate degree, the Master of Arts in Liberal Studies. The College's Center for Historic Preservation was designed to support the undergraduate degree program in historic preservation. It provides specialized services to preservation-related organizations and is unique within the Commonwealth and the region.

Notes to the Financial Statements

Notes to the Financial Statements

June 30, 1988

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and the Financial Accounting Standards Board (FASB), and in accordance with the National Association of College and University Business Officers' (NACUBO) *College and University Business Administration* (1982) and the American Institute of Certified Public Accountants' (AICPA) *Audits of Colleges and Universities* (1975) for institutions of higher education.

B. Reporting Entity

For financial reporting purposes, the Commonwealth of Virginia includes all funds and account groups, and all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority.

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) describes the criteria for determining which organizations, functions, and activities should be considered part of the Commonwealth for financial reporting purposes. The basic criterion for including a governmental organization (which is otherwise independent of the reporting entity) in the general purpose financial statements of the reporting entity is the ability of the reporting entity's elected officials to exercise oversight responsibility over the organization. Oversight is derived from the ability of the reporting entity's elected officials to select the governing body of an organization, designate management, and influence operations; from the existence of financial interdependency between the reporting entity and other governmental organizations; and from the reporting entity's accountability for a governmental organization's financial matters. The inclusion of an organization in the general purpose financial statements in no way alters the defined prerogatives of the management of the organization, the organization's charter, statutory authority, or legal characteristics or conditions. The Commonwealth has included in the general purpose financial statements the following organizations (component units) that meet the oversight criteria established by the GASB Codification. The Commonwealth has no responsibility for any debt of these organizations nor does the Commonwealth claim any right to the assets of these organizations. These component units include:

- Virginia Housing Development Authority (VHDA)
- Virginia Education Loan Authority (VELA)
- Virginia International Terminals, Inc. (VIT)
- Virginia Resources Authority (VRA)
- State Education Assistance Authority (SEAA)
- Virginia Public Building Authority (VPBA)
- Virginia Public School Authority (VPSA)
- Center for Innovative Technology (CIT)
- Virginia College Building Authority (VCBA)

Activity of the VCBA that relates to the financing of equipment purchases by State-supported colleges and universities is included in the financial statements. The Authority also issues tax-free bonds to provide financial assistance to private institutions of higher education to finance capital construction. This indebtedness does not constitute a debt of the Authority or of the Commonwealth and is not included in the financial statements. The outstanding principal of the debt issued to assist private institutions was $62,020,000 at June 30, 1988.

The VHDA, VELA, VIT, and VRA have been audited by independent certified public accounting firms and the amounts reported are based solely on the audited financial statements provided by those organizations. The VPBA, VPSA, VCBA, CIT, and SEAA have been audited by the Auditor of Public Accounts of the Commonwealth of Virginia. The VPSA, VELA, VHDA, VIT, VRA, and SEAA are reported entirely within Enterprise Funds—Public Benefit Corporations. The activity of the VPBA is reported in the Debt Service and Capital Projects Funds, and the related long-term debt is reported in the General Long-Term Debt Account Group, and the related fixed assets in the General Fixed Assets Account Group. The operations of CIT are reported in the Higher Education Fund, as is the activity of the VCBA relating to State-supported institutions of higher education.

Furthermore, in compliance with the GASB Codification, the Commonwealth discloses two types of organizations which have been excluded from the reporting entity.

(1.) Authorities created by the State, with respective Boards appointed by the Governor, where the Commonwealth provides no funding and has no claim to surpluses, no significant influence over operations, and no responsibility for the Authorities' debt are:

a. The Virginia Small Business Financing Authority was created by the Virginia Small Business Financing Act of 1984 (Chapter 28, Title 9, *Code of Virginia)* to assist small business of the Commonwealth in obtaining financing for new business or the expansion of existing business.

The Authority provides financial assistance to small business by providing loans, guarantees, insurance and other assistance, thereby encouraging the investment of private capital in small business in the Commonwealth. The Authority began issuing debt in December, 1984. The outstanding principal of this debt at June 30, 1988, was $110,033,001. Also, the Authority guarantees loans made to small businesses by financial institutions. The Authority's liability for the total of all loans guaranteed is limited to its net assets. As of June 30, 1988, the Authority had loan guarantees totaling $409,267 and net assets of $1,206,125.

b. The Virginia Agricultural Development Authority was created by the Virginia Development Authority Act of 1981 (Chapter 5.1, Title 3.1, *Code of Virginia)* to assist in providing credit for the purchase of farm equipment and real estate at interest rates lower than those available in the conventional farm credit markets. This objective is accomplished by (1) making loans to lenders for use by those lenders in making loans for agricultural enterprises and (2) purchasing existing loans from lending institutions. The Authority had one debt issuance in April, 1983. The outstanding principal of this debt at June 30, 1988, was $1,202,304.

(2.) Non-State agencies have also been excluded from the reporting entity. These activities fall into two categories: (1) public and private non-profit organizations and (2) industrial development authorities.

State funding provided to the public and private non-profit organizations is discretionary or subject to the eligibility rules governing funding support. The non-profit corporations are governed and controlled by their boards, members, or bylaws with no provision for Commonwealth control and, for several of these entities, assets remaining at dissolution are to be transferred to other non-profit organizations. The public nonprofit organizations are local governments which receive funding under State programs.

Industrial development authorities have been excluded because they are specifically created and operated by actions of local governments, receive no Commonwealth support, and assets rest with the creating local governments upon dissolution.

C. Fund Structure

The accompanying financial statements are presented in four classifications of funds and two account groups. The fund classifications include governmental funds, proprietary funds, fiduciary funds, and the Higher Education Fund. Account groups are presented for general fixed assets and general long-term debt. The fund classifications and a description of each existing fund type and account group follow:

(1.) Governmental Funds

Transactions related to the acquisition, use, and balances of the government's expendable financial resources received and used for those services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in governmental funds. The governmental fund measurement focus is based upon determination of financial position (sources, uses, and balances of financial resources), rather than on net income determination. Governmental funds include:

a. **General Fund**—Accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund. These services include general government, legislative, public safety, judicial, health and mental health, human resources, licensing and regulation, and primary and secondary education.

b. **Special Revenue Funds**—Account for transactions related to resources received and used for restricted or specific purposes. The Special Revenue Funds include transactions related to resources used in support of public health services, social service programs, agriculture, state park services, and highway maintenance and construction. There are 101 individual special revenue funds and they are combined on a functional basis for financial reporting in accordance with Section 2600 of the GASB Codification.

c. **Debt Service Fund**—Accounts for transactions related to resources retained and used for the payment of interest and principal on those long-term obligations recorded in the General Long-Term Debt Account Group.

d. **Capital Projects Fund**—Accounts for transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds. The primary source of funding for this fund is the proceeds of bond issues used principally for highway construction and the construction and improvement of Virginia port facilities.

(2.) **Proprietary Funds**

Transactions related to commercial activities operated by the Commonwealth are accounted for in the proprietary funds. Proprietary funds include Enterprise Funds and Internal Service Funds. The Enterprise Funds are separated into State and Public Benefit Corporations. Proprietary funds differ from governmental funds in that their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. The activities comprising the proprietary funds include:

a. **Enterprise Funds**

1. **Enterprise Funds–State**—Account for transactions related to resources received and used for financing self-supporting activities of the Commonwealth that offer products and services on a user-charge basis to the general public. These funds reflect the activities of:

   - The Department of Alcoholic Beverage Control (ABC), which operates facilities for the distribution and sale of distilled spirits and wine to the general public, and enforces the Commonwealth's alcoholic beverage statutes;
   - The State Lottery Department, which operates the Commonwealth's lotteries pursuant to the State Lottery Law;
   - The Virginia Industries for the Blind (VIB), a unit within the Virginia Department for the Visually Handicapped, which manufactures products for sale to federal, state, and local governments, certain private organizations, and the general public;
   - The gift shop and food services activities of the Virginia Museum of Fine Arts; and,
   - The Division of Legislative Services, which accounts for sales of the *Virginia Register*, a publication which lists all proposed and final State agency regulations.

2. **Enterprise Funds–Public Benefit Corporations**—Account for transactions of proprietary type component units considered part of the reporting entity for financial reporting purposes pursuant to the provisions of Section 2100 of the GASB Codification. The Commonwealth has no responsibility for the debt of Public Benefit Corporations nor does the Commonwealth claim any right to the assets of these organizations.

   The Public Benefit Corporations are:

   - Virginia Housing Development Authority which is empowered by the *Code of Virginia* to finance housing intended for occupancy or ownership, or both, by families of low and moderate income;
   - Virginia Education Loan Authority which is empowered by the *Code of Virginia* to provide loans to eligible students at institutions of higher education and vocational schools;
   - Virginia International Terminals, Incorporated which operates several marine terminals for the Virginia Port Authority;
   - Virginia Resources Authority which encourages the investment of both public and private funds in the water and sewer projects of local governments. VRA also issues debt for the purpose of making loan and grant funds available to finance these projects;
   - State Education Assistance Authority which guarantees student loans provided to residents by financial institutions of the Commonwealth through a program administered by the federal government; and
   - Virginia Public School Authority which issues bonds to finance capital projects of schools in the cities, counties, and towns of the Commonwealth.

b. **Internal Service Funds**—Account for transactions related to the financing and sale of goods or services provided by agencies of the Commonwealth to other agencies and institutions of the Commonwealth. The goods and services furnished are charged to the recipient agency or institution on a cost-reimbursement basis.

(3.) **Fiduciary Funds**

Transactions related to assets held in a trust or agency capacity by the Commonwealth are accounted for in fiduciary funds. The Commonwealth's fiduciary funds include Pension Trusts, Nonexpendable Trust, Expendable Trusts, and Agency Funds as follows:

a. **Pension Trust Funds**—Account for the transactions of Commonwealth-administered retirement systems (see Note 7).

b. **Nonexpendable Trust Fund**—Accounts for the transactions of the trust of the Virginia Museum of Fine Arts whose principal must be maintained intact and whose income is used to fund the activity of the expendable trusts at the Museum.

c. **Expendable Trust Funds**—Account for the transactions of trusts whose principal and income may be used for the purposes of the trust. These trusts include those for educational programs at museums, funds for unemployment, and realty loans for low and moderate income farmers. There are fifty-eight expendable trust funds of the Commonwealth and they are combined on a functional basis for financial reporting in accordance with Section 2600 of the GASB Codification.

d. **Agency Funds**—Account for amounts held in trust by the Commonwealth for others. Agency funds include those funds established to account for the collection of taxes and fees for distribution to localities and other states, employee benefits, the deferred compensation plan, deposits of insurance carriers, and investments of local governments held by the State Treasurer.

(4.) **Account Groups**

Account groups are used to establish accounting control over the Commonwealth's general fixed assets, the unmatured principal of its general long-term debt, and other long-term obligations of governmental funds. General fixed assets do not represent financial resources available for appropriation and expenditure, nor does the unmatured principal of general long-term debt and other long-term obligations require current appropriation and expenditure of governmental fund financial resources.

a. **General Fixed Assets Account Group** accounts for fixed assets of the governmental fund types and similar trust funds. Fixed assets of the proprietary funds and similar trust funds and the Higher Education Fund are accounted for in their respective funds.

b. **General Long-Term Debt Account Group** accounts for obligations that are not recorded as current liabilities in governmental funds. These obligations include those that are backed by the full faith and credit of the Commonwealth—unmatured and unredeemed long-term general obligation bonds payable, obligations for accrued employee sick and vacation leave, and capital lease obligations—as well as those obligations of the Virginia Public Building Authority, the Virginia Port Authority, and the Norfolk-Virginia Beach Toll Road which are not backed by the Commonwealth, but are included in the Commonwealth's reporting entity. Unmatured long-term debt relating to obligations of the proprietary funds and similar trust funds and the Higher Education Fund is accounted for within the respective funds.

(5.) **Higher Education Fund**

The Higher Education Fund accounts for transactions related to resources received and used for the operation of the Commonwealth's institutions of higher education and related medical teaching hospitals. The Higher Education Fund is an aggregation of the following funds:

a. **Current Funds**—Account for resources that will be expended for operating purposes. Funds over which the governing boards retain full control are accounted for as current unrestricted. Current restricted funds may only be utilized in accordance with externally-restricted purposes.

b. **Loan, Endowment, and Agency Funds** — Account for assets held in a fiduciary capacity.

c. **Plant Funds**—Account for assets that have been or will be invested in property, plant, and equipment and that are reserved to retire debt issued to finance plant facilities.

D. **Basis of Accounting for Funds**

Governmental Fund Types, Expendable Trust Funds, and Agency Funds—The accounts of the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust, and Agency Funds are presented on a modified accrual basis. Under the modified accrual basis of accounting, revenues and other financial resources are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. Material revenues susceptible to accrual include federal grants and income and sales taxes. Expenditures and other uses of financial resources are recognized when the related liability is incurred, except for items that are not planned to be liquidated with expendable available resources, such as the long-term portion of the liability for compensated absences and capital lease obligations.

Proprietary Fund Types, Pension and Nonexpendable Trust Funds—The accounts of these funds are presented on the accrual basis. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

Higher Education Fund—The accounts are presented on an accrual basis with the exception of the following:

(1.) Depreciation expense is not recorded on plant fund assets; and

(2.) Revenues and expenditures of an academic term which is conducted over a fiscal year end are reported totally in the fiscal year in which the program is predominately conducted.

E. Budget

The Commonwealth's budget is prepared principally on a cash basis and represents appropriations as authorized by the General Assembly. The Governor, as required by the *Code of Virginia*, submits a budget composed of all proposed expenditures for the State, and of estimated revenues and borrowings for a biennium to the General Assembly. Budgets are adopted for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Capital Projects and Debt Service Funds because effective budgetary control is alternatively achieved through General and Special Revenue Funds. Budgeted expenditures of the General and Special Revenue Funds are made pursuant to appropriations in the annual budget, as approved by the General Assembly and signed into law by the Governor. The aggregate amount of the biennial budget is the legal level of budgetary control. For management control purposes, the budget is controlled at the program level. The Governor may transfer an appropriation within a State agency or from one State agency to another, provided that total fund appropriations, as contained within the budget, are not exceeded. Increases in General Fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 1988, no increases in General Fund appropriations were approved. Appropriations for programs funded from Special Revenue Funds may allow expenditures in excess of the original appropriations to the extent that revenues of the funds exceed original budget estimates and such additional expenditures are approved by the Governor through supplemental appropriations. Budgetary amounts shown in the financial statements represent the total of the original budgeted amounts and all supplemental appropriations. Unexpended appropriations at the end of the fiscal year generally lapse.

The following schedule reconciles the original appropriated budget to the final adjusted budget for the General Fund and all Special Revenue Funds:

	General Fund	Special Revenue Funds
Original Appropriation (1)	$4,739,103	$2,750,646
Supplemental Appropriations:		
Reappropriations (2)	33,752	206,550
Subsequent Executive (3)	27,062	395,460
Subsequent Legislative (4)	280,328	507,351
Transfers (5)	(804,210)	(4,936)
Appropriations, as adjusted	$4,276,035	$3,855,071

(1) Represents the original budget appropriated through Chapter 643, 1986 Acts of Assembly.

(2) Actions taken to reappropriate any prior year unexpended balances per authority of the language in the Appropriations Act.

(3) Actions taken by the Governor to carry forward any prior year unexpended balances (General Fund) and actions taken to appropriate any additional revenues collected so that they can be legally spent (Special Revenue Funds).

(4) Actions taken by the General Assembly to adjust the original budget, through Chapter 723, 1987 Acts of Assembly.

(5) Represents transfers required by the Appropriations Act.

F. Investments

Investments are principally comprised of monies held by Public Benefit Corporations, the endowment funds of Higher Education, and the State Treasurer for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and the Pension Trust Funds.

Investments of VSRS, except for common stocks, preferred stocks, and real estate pool participations, are stated at cost or amortized cost and are reflected in the Pension Trust Funds. Common stocks and preferred stocks are carried at the lower of cost or market. The cost of investments sold is the average cost of the aggregate holding of the specific investment sold. Real estate pool participations are carried at values adjusted to recognize VSRS's share of net income or loss in the period in which they are reported by the pools.

Investments held by the Public Benefit Corporations are carried at amortized cost rather than at the lower of cost or market, in that it is generally management's intention to hold them to maturity. Investments of the Virginia Public School Authority are carried at cost.

Investments reflected in the Higher Education Fund are valued at market value. Mortgages held for investment are recorded at book value, representing principal amounts due. Investments in real estate are recorded at book value. Gifts are recorded at fair market value at the date of acquisition.

Investments of the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund are valued at cost.

Investments of the Deferred Compensation Plan, in agency funds are valued at market value.

G. Inventories

Inventories of materials and supplies of governmental funds are recorded as expenditures when purchased. At year end, the governmental funds had no significant amounts of inventory. Inventories maintained by the Public Benefit Corporations and Internal Service Funds are stated at the lower of cost or market value using first-in first-out methodology. The Department of Alcoholic Beverage Control and the Expendable Trusts administered by the Department of Corrections maintain inventories at the lower of average cost or market. The Virginia Industries for the Blind maintains inventories at cost using first-in first-out methodology. The Virginia Museum of Fine Arts also maintains inventories at cost. Institutions of Higher Education use several methods for costing inventories, including cost, using first-in first-out methodology, and the lower of cost or market using first-in first-out or weighted average methodology.

H. Receivables

Receivables in the governmental funds consist primarily of the accrual of taxes and federal revenue and receivables of the State's mental health and mental retardation facilities. Receivables of the Enterprise Funds are loans of the Public Benefit Corporations. Receivables of Trust and Agency Funds are primarily the accrual of member and employer contributions in the Pension Trust Funds and the accrual of local sales taxes in the Agency Funds. Higher Education receivables are primarily receivables of the State's teaching hospitals. Receivables are recorded net of allowances for doubtful accounts.

I. Loans Receivable From Proprietary Funds

Long-term loans receivable of the General Fund (Loans Receivable From Proprietary Funds) of $20,495,016 represent working capital advances of $5,000,000 to the Enterprise Funds, $3,625,016 to the Internal Service Funds to finance inventories and provide working capital, and $11,870,000 to the Internal Service Funds to provide collateral as security for payments of the Commonwealth's indebtedness under its workers' compensation insurance policy for policy years 1983 through 1986. Long-term loans receivable of the Special Revenue Funds of $253,364,567 represent loans to localities for school construction. The notes supporting these loans are transferred to the Virginia Public School Authority, an Enterprise Fund, for use as additional collateral for bonds. The liabilities associated with these advances and loans are reflected in the Enterprise Funds and Internal Service Funds as "Loans Payable."

During its 1984 Session, the General Assembly required that advances originally made of $5,375,000 to the Internal Service Funds be repaid in equal installments over a period ranging from ten to fifteen years. The first repayments were made on July 31, 1984. The $5,000,000 advance to the Enterprise Funds – State represents the unpaid balance at June 30, 1988, of a $10,200,000 loan to the Department of Alcoholic Beverage Control. Payments in the amount of $1,000,000 are to be made each year until repayment is complete. The long-term loan to the Internal Service Fund of the Department of General Services, Division of Risk Management, of $11,870,000 represents amounts loaned to the Division to provide collateral to Traveler's Indemnity Company (Traveler's) as security for payment of the Commonwealth's obligations under its workers' compensation insurance policy with Traveler's for policy years 1983 through 1986. The amount of the collateral represents the estimated obligation of the Commonwealth under the policy. The collateral will decrease over time as the claims for the years 1983 through 1986 are paid through 1994. As the collateral requirement is reduced, the loan will be repaid to the General Fund. Loans to all proprietary funds are not available for expenditure by the General and Special Revenue Funds and, accordingly, the fund balances of these funds have been reserved.

J. Property, Plant, and Equipment

Fixed assets of governmental funds are recorded as expenditures at the time of purchase and capitalized in the General Fixed Asset Account Group. For financial reporting purposes, depreciation is not recorded on general fixed assets. Fixed assets of the Proprietary Funds are capitalized in the fund in which they are utilized and depreciated on the straight-line basis over their useful lives. Fixed assets of colleges and universities are capitalized in the Higher Education Fund. Depreciation is not provided on these assets.

Fixed assets are stated at historical cost or, in some instances, estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. The Commonwealth capitalizes all fixed assets which have a value or cost in excess of $500 at the date of acquisition and have an expected useful life of two or more years. Infrastructures, including highways, bridges, and rights-of-way, are not capitalized. The estimated lives of fixed assets are as follows:

	Years
Buildings	5-60
Equipment	2-30
Improvements other than Buildings	5-30

K. Systems Development Costs

In accordance with the Statement of Financial Accounting Standards Number 2, "Accounting for Research and Development Costs," the Virginia Education Loan Authority (VELA) capitalizes and amortizes over five years the research and development costs relating to the creation of its automated student loan servicing systems.

L. **Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, may be utilized by the State's agencies and universities as an extension of formal budgetary integration in the Commonwealth's accounting system. Because the *Code of Virginia* does not permit the continuance of spending authority beyond the balance sheet date, encumbered amounts are eliminated at the end of the year and, accordingly, are not included in the accompanying financial statements.

M. **Tax Refunds Payable**

Tax refunds payable represent refunds due on tax returns filed for the calendar year ended December 31, 1987. The tax return filing deadline is May 1, of each year, for the preceding calendar year.

N. **Deferred Revenue**

Deferred revenue represents monies received but not yet earned as of June 30, 1988. The majority of this amount is reported in the Higher Education Fund, where it is primarily composed of student tuition fees received in advance of the semester; in the Enterprise Funds, where it is the deferral of fees related to mortgage loans; and in the Special Revenue Funds, where it is composed primarily of federal grant money received but not spent.

O. **Deferred Credit**

The deferred credit represents the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns in subsequent years. This amount is calculated annually using statistical data derived from income taxes filed in the previous year.

P. **Long-Term Liabilities**

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Expenditures for principal and interest payments for governmental fund general obligation bonds and revenue bonds are recognized in the Debt Service Fund when paid. Long-term liabilities expected to be financed from the proprietary funds and the Higher Education Fund, as well as the related interest payments, are accounted for in those funds (see Note 4).

Q. **Reserved Fund Balance**

Reserved fund balance indicates that portion of fund balance which is not available to fund operations or is legally segregated for specific future use.

R. **Unreserved, Designated Fund Balances**

Designations of fund balance are established to reflect tentative plans for future utilization of current financial resources. It is the policy of the Commonwealth to designate the portion of fund balance set aside by the General Assembly through the Appropriations Act to fund tentative but approved future plans. For years ending in the middle of a biennium, unexpended appropriations approved by the Governor to be used to fund expenditures of the ensuing fiscal year are also reflected through a designation of fund balance. It is the policy of the Commonwealth to limit such designations in the event that their accumulation and presentation would cause a negative unreserved, undesignated fund balance to occur.

S. **Unreserved, Undesignated Fund Balance**

The unreserved, undesignated budgetary basis fund balance is the amount of fund balance remaining from operations of the current and prior years on the budgetary basis of accounting as discussed in Note 1.E, net of amounts established as reserved and designated fund balance described in Note 1.Q and 1.R above.

The unreserved, undesignated fund balance, $121.2 million, includes an amount by which Virginia's individual income tax revenues, because of federal tax reform, exceed the Governor's latest official estimate of such revenues in fiscal year 1987-88. When finally determined, this amount will be transferred to the "Individual Income Tax Transition Fund," a part of the General Fund for financial reporting, for future appropriation by the General Assembly. The determination of this amount will not materially affect the GAAP basis fund balance information in Note 1.T.

T. **Adjustments from Budget to GAAP**

To meet information needs within the Commonwealth, fund balances of the General and Special Revenue Funds on the Combined Balance Sheet are initially presented on the budgetary basis of accounting and then adjusted to a modified accrual basis for the presentation of total fund equity. Accordingly, amounts reported on the Combined Balance Sheet as Adjustments from Budget to GAAP represent the cumulative effect on budgetary basis fund balance of adjustments to comply with the requirements of generally accepted accounting principles (GAAP).

The principal adjustments to comply with GAAP are the accrual of income and sales tax revenues, amounts due from the Federal government under grants and contracts, accounts payable, and the deferral of income taxes withheld that have not met the revenue recognition criteria and may ultimately be refunded upon the filing of income tax returns.

Adjustments from Budget to GAAP are first applied to budgetary unreserved, undesignated fund balance, and the remaining balance, if any, is applied to unreserved, designated fund balance.

Fund balances of the General and Special Revenue Funds, when adjusted to a modified accrual basis, are as follows:

	General Fund	Special Revenue Funds
Fund Balances:		
Reserved/Restricted	$ 20,495	$ 253,365
Unreserved:		
Designated	330,461	—
Undesignated/Unrestricted	1,950	428,251
Total Fund Equity	$ 352,906	$ 681,616

The fund equities of the Debt Service and Capital Projects Funds, the proprietary and fiduciary fund types, and the Higher Education Fund are presented in accordance with the basis of accounting for funds described in Note 1.D and, therefore, do not require adjustment.

U. Accrued Vacation and Sick Leave Policy

Employees accrue annual leave at a rate of four to seven hours every two weeks, depending on their length of service. The maximum accumulation is dependent upon years of service, but in no case may it exceed 42 days. Sick leave is accrued at a rate of five hours every two weeks. Employees who leave State service after a minimum of five years employment receive the lesser of 25 percent of the value of their accumulated sick leave at their current earnings rate or $2,500. All employees leaving State service are paid for accrued vacation leave up to the maximum calendar year limit at their current earnings rate. In conformance with Section C60 of the GASB Codification, the monetary value of accumulated annual and sick leave payable upon termination is included in the accompanying financial statements. In the governmental fund types, amounts to be paid from expendable available resources are recognized as fund liabilities in the applicable governmental fund types. Amounts not payable from expendable available resources are reflected in the General Long-Term Debt Account Group. All amounts related to the proprietary funds and similar trust funds, and the Higher Education Fund are recognized in those funds. The liability at June 30, 1988, was computed using salary rates effective at June 30, 1988, and represents vacation, sick, and compensatory leave earned up to the allowable ceilings.

V. Total Columns on Combined Statements

The total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present consolidated financial position, results of operations, or changes in financial position. Interfund balances and transactions have not been eliminated.

Additionally, the 1987 totals presented in the "Memorandum Only" columns are included to provide a summarized comparison with comparable 1988 amounts and are not intended to present all information necessary for a fair presentation of financial position and results of operations in accordance with generally accepted accounting principles.

2. OTHER ACCOUNTING DISCLOSURES

A. Budget

The amounts presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budgetary Basis—General and Special Revenue Funds are principally on a cash basis and represent the original budget adopted by the General Assembly and all supplemental appropriations and transfers as outlined in Note 1.E. Since the presentation of financial data on a cash basis differs from that presented under generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1988, to the fund balance on a modified accrual basis follows:

Fund Balance Comparison
Cash Basis to GAAP Basis
June 30, 1988
(Dollars in Thousands)

	General Fund	All Special Revenue Funds
Fund Balance, Cash Basis	$ 472,149	$ 773,091
Add (Deduct)		
Accrued Revenues:		
Taxes	306,296	21,390
Tax Refunds	(35,196)	—
Other Revenue	14,895	95,771
Deferred Credit	(237,935)	—
Accrued Expenditures	(179,497)	(212,982)
Prepaid Expense Accrual	12,194	10,347
Total Accruals	(119,243)	(85,474)
Fund Reclassifications	—	(6,001)
Total Adjustments from Budget to GAAP	(119,243)	(91,475)
Fund Balance, GAAP Basis	$ 352,906	$ 681,616

B. Cash and Investments

Section 2.1-329 of the *Code of Virginia* defines deposits as demand deposits, time deposits, and certificates of deposits; accordingly, amounts held in these depository accounts or instruments are classified as cash on the financial statements. Deposits of the Virginia Supplementary Retirement System, in the amount of $224,385,174, are held by Boston Safe Deposit and Trust Company and are entirely insured or collateralized with securities held by the pledging financial institution's trust department. All other deposits are secured in accordance with the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et. seq. of the *Code of Virginia*. This act requires that each bank secure all its respective public deposits by pledging eligible collateral in an amount equal to at least 50% of the amount of such public deposits in excess of FDIC coverage. The act requires that each savings and loan institution pledge eligible collateral in an amount equal to 100% of its respective public deposits.

Securities pledged by banks and savings and loan institutions are held either in the account of the State Treasury Board at the Federal Reserve Bank of Richmond or a bank or trust company subject to the order of the Treasury Board. In the event a depository defaults or becomes insolvent, the Treasury Board first assesses the collateral of the defaulting or insolvent depository and then assesses the collateral pledged by other public depositories on a statutory based ratio to the extent necessary to satisfy the assessment against the defaulting bank. The collateral pledged by all banks is sufficient to cover the uncollateralized public deposits of any single bank.

The Commonwealth, with the exception of its retirement funds, is authorized to invest in U.S. government and agency securities, corporate debt securities, bankers' acceptances, repurchase agreements, and money market funds in accordance with the guidelines set forth in Section 2.1-328 et. seq. of the *Code of Virginia*. Certain investments held in trust by the Treasurer of Virginia in accordance with bond indentures and resolutions may have more restrictive investment policies. Investment policies of institutions of Higher Education are established by the institutions' governing boards.

The Board of Trustees of the Virginia Supplemental Retirement System has full power to invest and reinvest the pension trust funds in accordance with the guidelines set forth in Section 51.111.24 et. seq. of the *Code of Virginia*. Under these guidelines, the Board is authorized to invest in certain designated interest bearing obligations; prime quality commercial paper; interest bearing time deposits and certificates of deposit; certain port facilities; sites and buildings for occupancy and use by the General Assembly and State agencies in an amount not to exceed one hundred million dollars; and five percent of total trust fund investments in obligations not otherwise permitted under this section. The Board is also authorized to acquire and retain every kind of property and every kind of investment which men of prudence, discretion, and intelligence acquire or retain for their own account. Investments in common and preferred stocks are limited to sixty percent of total pension trust fund investments.

Long-term investments of $9,378,406,000, of which $6,996,062,000 is attributable to the Pension Trust Funds at June 30, 1988, are categorized below by credit risk. Also categorized by credit risk are short-term investments of $2,998,364,000, reported as cash equivalents on the combined balance sheet. Credit risk, as used below, refers to the risk that the Commonwealth may not be able to obtain possession of its investments in the event of default by a counterparty.

The three types of credit risk are:

Category 1—Insured or registered securities or securities held by the Commonwealth or its agent in the Commonwealth's name.

Category 2—Uninsured and unregistered securities, with the securities held by the counterparty's trust department or agent in the Commonwealth's name.

Category 3—Uninsured and unregistered securities, with the securities held by the counterparty, or by its trust department or agent, but not in the Commonwealth's name.

Investments
June 30, 1988
(Dollars in Thousands)

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government Securities and U.S. Government Agency Securities	$ 2,972,607	$ 22,954	$ 104,628	$ 3,100,189	$ 3,098,185
Money Market Instruments	1,272,024	571	3,070	1,275,665	1,262,967
Common and Preferred Stocks	2,384,390	6,393	244,552	2,635,335	2,873,762
Corporate Notes	220,152	3,191	84	223,427	300,239
Corporate Bonds	1,610,520	111	3,663	1,614,294	1,595,116
Municipal Securities	432,537	—	12	432,549	432,553
Repurchase Agreements	226,387	113,941	351,493	691,821	696,349
	$ 9,118,617	$ 147,161	$ 707,502		
Mutual, Money Market, and Index Funds				1,955,383	1,995,535
Real Estate				443,372	489,613
Other				4,735	4,559
Total Investments				$ 12,376,770	$ 12,748,878

Investments of the Pension Trust Funds are approximately 55.4% of the investments that are in Category 1, 49.1% of the investments in Category 3, 92.3% of the Mutual, Money Market, and Index Funds, and 94.9% of the Real Estate investments. The credit risk of investments of the Pension Trust Funds is similar to that of the oversight unit and, therefore, is not disclosed separately.

In addition to those investments scheduled above, assets of the Commonwealth held by various institutions in a custodial capacity have been disclosed separately as Cash and Investments with Trustees. Cash and Investments with Trustees consists of cash of $3.8 million, U.S. Government Securities and U.S. Government Agency Securities of $135.0 million, Repurchase Agreements of $51.3 million, Common and Preferred Stocks of $19.0 million, Corporate Bonds of $22.1 million, and Money Market Instruments of $11.9 million. With the exception of $125.2 million of the U.S. Government Securities which are insured and held in the Commonwealth's name, these investments are uninsured and held by a counterparty and not in the name of the Commonwealth. Cash and

Investments with Trustees also includes $618.9 million of the Unemployment Compensation Fund which is held in trust by the U.S. Treasury.

C. Receivables

The following schedule details the accounts, loans, taxes, and other receivables presented in the various funds:

Schedule of Receivables
June 30, 1988
(Dollars in Thousands)

	Accounts and Loans (Allowance for Doubtful Accounts)	Taxes (Allowance for Uncollected Accounts)	Other (Allowance for Doubtful Accounts)	Total
General Fund	$ 9,502	$ 310,549	$ 1,213	$ 321,264
	(788)	—	—	(788)
	8,714	310,549	1,213	320,476
Special Revenue Funds	227,259	22,237	—	249,496
	(52,023)	(847)	—	(52,870)
	175,236	21,390	—	196,626
Enterprise Funds—State	1,675	—	—	1,675
	—	—	—	—
	1,675	—	—	1,675
Enterprise Funds—Public Benefit Corporations	2,830,627	—	42,358	2,872,985
	(240)	—	—	(240)
	2,830,387	—	42,358	2,872,745
Internal Service Funds	14,058	—	—	14,058
	—	—	—	—
	14,058	—	—	14,058
Trust and Agency Funds	144,243	40,059	—	184,302
	(4,357)	—	—	(4,357)
	139,886	40,059	—	179,945
Higher Education Fund	230,177	—	64,916	295,093
	(57,451)	—	(5,228)	(62,679)
	172,726	—	59,688	232,414
Total Receivables (Net)	$ 3,342,682	$ 371,998	$ 103,259	$ 3,817,939

D. Property, Plant, and Equipment

The schedule that follows shows the breakdown of general fixed assets by category:

General Fixed Assets Account Group
June 30, 1988
(Dollars in Thousands)

Land	$ 184,431
Buildings	667,891
Equipment	477,621
Improvement Other than Buildings	123,234
Construction in Progress	93,540
Total General Fixed Assets	$1,546,717

The following schedule presents the changes in the General Fixed Assets Account Group by category:

Schedule of Changes in General Fixed Assets
(Dollars in Thousands)

	Balance July 1, 1987	Acquired	Deductions	Balance June 30, 1988
Land	$ 176,860	$ 8,168	$ 597	$ 184,431
Buildings	712,049	15,416	59,574	667,891
Equipment	412,157	72,706	7,242	477,621
Improvements Other than Buildings	128,742	3,288	8,796	123,234
Construction in Progress	18,895	100,641	25,996	93,540
Total General Fixed Assets	$ 1,448,703	$ 200,219	$ 102,205	$ 1,546,717

The following schedule details fixed assets that are not recorded in the General Fixed Assets Account Group:

Summary of Fixed Assets in Proprietary Funds, Fiduciary Funds, and the Higher Education Fund
June 30, 1988
(Dollars in Thousands)

	Enterprise Funds					
	State	Public Benefit Corporations	Total	Internal Service Funds	Trust and Agency Funds	Higher Education Funds
Land	$ 1,822	$ 2,517	$ 4,339	$ 405	$ —	$ 111,046
Buildings	4,773	6,203	10,976	3,635	—	1,439,002
Equipment	3,863	16,814	20,677	82,876	817	833,670
Improvements Other than Buildings	1	—	1	64	—	96,058
Construction in Progress	—	11,206	11,206	650	776	313,407
Livestock	—	—	—	—	—	1,070
Less: Accumulated Depreciation	(1,027)	(9,969)	(10,996)	(57,043)	—	—
Total Fixed Assets	$ 9,432	$ 26,771	$ 36,203	$ 30,587	$ 1,593	$2,794,253

E. Fund Balance Reserves and Designations

Reserved and designated fund balances are as follows:

Schedule of Reserved Fund Balances
June 30, 1988
(Dollars in Thousands)

Reserved/Restricted For	General Fund	Special Revenue Funds	Debt Service Fund	Pension Trust Funds	Nonexpendable Trust Fund	Higher Education Fund
Working Capital Advances and Loans	$ 20,495	$ 253,365	$ —	$ —	$ —	$ —
Debt Service	—	—	49,637	—	—	—
Member Reserve for Pension Benefits	—	—	—	1,487,429	—	—
Employer Reserve for Pension Benefits	—	—	—	6,108,322	—	—
Reserved/Restricted Gifts, Grants, and Contracts	—	—	—	—	2,135	83,172
Loan Funds	—	—	—	—	—	8,446
Endowment Funds	—	—	—	—	—	147,181
Total Reserved/Restricted Fund Balances	$ 20,495	$ 253,365	$ 49,637	$ 7,595,751	$ 2,135	$ 238,799

Schedule of Designated Fund Balances
June 30, 1988
(Dollars in Thousands)

Designated For	General Fund	Capital Projects Fund	Pension Trust Fund	Expendable Trust Fund
Reappropriation of 1988 Unexpended Balances	$ 330,461	$ —	$ —	$ —
Capital Project Construction	—	136,900	—	—
Pension Administration Costs	—	—	1,521	—
Expendable Trusts	—	—	—	1,089,630
Total Designated Fund Balances	$ 330,461	$ 136,900	$ 1,521	$ 1,089,630

F. Contributed Capital

Contributed capital is created when a residual equity transfer is received by a proprietary fund, when a general fixed asset is "transferred" to a proprietary fund or when a grant is received that is externally restricted to capital acquisition or construction. Contributed capital in the Internal Service Funds totaling $5,675,692 consists of $1,600,000 in General Fund appropriations and $4,075,692 in contributed property and equipment. Contributed capital in the Enterprise Funds–State consists of $1,516,356 in contributed property and equipment of the Virginia Industries for the Blind. Contributed capital in the Enterprise Funds –Public Benefit Corporations consists of $2,732,058 in contributed property and equipment of the Virginia International Terminals, Inc. and $20,400,000 of transfers from the Commonwealth of Virginia to the Virginia Resources Authority to establish the Virginia Water Facilities Revolving Fund. The property and equipment in each fund is recorded at historical cost.

Schedule of Changes in Contributed Capital
(Dollars in Thousands)

	Enterprise Funds				Internal Service Funds			
	VIB	VIT	VRA	Total	Industrial Enterprises	State Surplus Property	Federal Surplus Property	Total
Contributed Capital, July 1, 1987	$ 644	$ 2,648	$ 10,200	$ 13,492	$ 5,676	$ 1	$ 19	$ 5,696
Contributions	872	84	10,200	11,156	—	—	—	—
Decreases	—	—	—	—	—	(1)	(19)	(20)
Contributed Capital, June 30, 1988	$ 1,516	$ 2,732	$ 20,400	$ 24,648	$ 5,676	$ —	$ —	$ 5,676

G. Blue Cross-Blue Shield Claims Fluctuation Reserve

As of June 30, 1988, a Claims Fluctuation Reserve (CFR) surplus was available to the Commonwealth at Blue Cross-Blue Shield of Virginia (BCBSVA) to absorb possible deficits due to insufficient premium receipts to cover anticipated healthcare claims of the Commonwealth of Virginia. This reserve resulted from premium payments by the Commonwealth exceeding actual claims paid and represents a prepaid healthcare expense. At June 30, 1987, the CFR was $46,271,288 and at June 30, 1988 the CFR was $36,952,778 which is allocated among the General Fund, Special Revenue Fund, and the Higher Education Fund based on actual claims expenditures.

3. INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are short-term loans made by one fund to another. Interfund receivables/payables are primarily composed of:

- General Fund — advances made to the Department of Information Technology and temporary loans made to fund approved construction projects in anticipation of permanent financing.

Interfund receivables/payables at June 30, 1988, are as follows:

Schedule of Interfund Receivables/Payables
June 30, 1988
(Dollars in Thousands)

	Receivable Funds						
		Special Revenue Funds					
Payable Funds	General	Human Resources	Administration	Economic Development	Transportation and Public Safety	Natural Resources	Total Interfund Payables
Capital Projects	$ 24,965	$ —	$ —	$ —	$ —	$ —	$ 24,965
Enterprise — State:							
Department of Alcoholic Beverage Control	—	4,637	1,401	1,304	—	—	7,342
State Lottery Department	—	5,000	—	—	—	—	5,000
Internal Service:							
Department of Information Technology	1,488	—	—	—	—	—	1,488
Central Warehouse	—	1,242	—	—	—	—	1,242
Higher Education	9,213	—	—	2,228	5,896	555	17,892
Total Interfund Receivables	$ 35,666	$ 10,879	$ 1,401	$ 3,532	$ 5,896	$ 555	$ 57,929

- Special Revenue Funds — temporary loans made from the Special Revenue Funds to provide resources to initiate programs funded in whole or part by the Federal government or to fund approved construction projects in anticipation of permanent financing.

Due to Other Funds are amounts owed by one fund to another fund for goods sold or services rendered. Due from Other Funds are amounts to be received from one fund by another fund for goods sold or services rendered.

Schedule of Due To/From Other Funds
June 30, 1988
(Dollars in Thousands)

	Due from Other Funds				
	General	Special Revenue-Literary	Internal Service-Risk Management	Higher Education	Total Due to Other Funds
Due to Other Funds					
General	$ —	$ —	$ 2,907	$ 5,200	$ 8,107
Special Revenue — Human Resources	—	—	428	—	428
Special Revenue — Economic Development	—	—	71	—	71
Special Revenue — Transportation and Safety	—	—	87	—	87
Special Revenue — Highway Maintenance and Construction	—	—	1,012	—	1,012
Enterprise — State: Department of Alcoholic Beverage Control	6,181	2	—	—	6,183
Expendable Trust — Economic Development	—	—	132	—	132
Higher Education	—	—	1,225	34,897	36,122
Total Due from Other Funds	$ 6,181	$ 2	$ 5,862	$ 40,097	$ 52,142

4. LONG-TERM INDEBTEDNESS

Commonwealth bonds, issued pursuant to Sections 9(b) and 9(c) of Article X of the Constitution of Virginia, are backed by the full faith, credit, and taxing power of the Commonwealth. Section 9(b) bonds are general obligation bonds authorized by the citizens of Virginia through bond referendums to finance capital projects which are retired through the use of State appropriations. Section 9(c) bonds finance capital projects which, when completed, will generate revenue to repay the debt. All of these bonds are callable after approximately ten years, from any available revenue, at the option of the Commonwealth of Virginia.

The following schedules detail the annual funding requirements necessary to amortize 9(b) General Obligation and 9(c) Transportation Bonds. Principal and interest requirements for the current year totaled $9,823,050 for 9(b) General Obligation Bonds and $9,830,050 for 9(c) Transportation Bonds.

GENERAL OBLIGATION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 6,575,000	$ 2,952,175	$ 9,527,175
1990	6,575,000	2,653,013	9,228,013
1991	6,575,000	2,350,562	8,925,562
1992	6,575,000	2,048,113	8,623,113
1993	6,575,000	1,742,375	8,317,375
1994–1998	32,875,000	3,995,956	36,870,956
Total	$ 65,750,000	$ 15,742,194	$ 81,492,194

TRANSPORTATION BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 1,700,000	$ 8,273,850	$ 9,973,850
1990	1,640,000	8,210,420	9,850,420
1991	3,450,000	8,141,028	11,591,028
1992	3,550,000	7,973,916	11,523,916
1993	3,845,000	7,788,203	11,633,203
1994–2011	119,415,000	87,311,325	206,726,325
Total	$ 133,600,000	$ 127,698,742	$ 261,298,742

Higher Education Bonds are comprised of both 9(c) revenue bonds and 9(d) bonds. Higher Education 9(c) Revenue Bonds are backed by the full faith, credit, and taxing power of the Commonwealth. Principal and interest requirements for the current year totaled $24,484,403.

Under the provisions of Section 9(d) of Article X of the Constitution of Virginia, the governing bodies of various State colleges and universities are empowered, with the approval of the Governor and the General Assembly, to issue debt backed solely by a pledge of the revenue from specific revenue-producing capital projects, such as teaching hospitals, dormitories, student centers, and dining halls. At June 30, 1988, the outstanding balance of this debt was $244,379,280. State colleges and universities also issue debt which is backed and secured only by endowment funds and other funds derived from gifts and bequests. These bonds provide funds for various purposes including capital projects. At June 30, 1988, the total outstanding balance of this debt was $15,025,767. The Virginia College Building Authority issues debt to finance equipment purchases of State-supported institutions of higher education. The total outstanding balance of this debt was $87,250,000 at June 30, 1988.

The following schedules detail the annual funding requirements necessary to amortize bonds reported in the Higher Education Fund:

HIGHER EDUCATION — SECTION 9(c)
REVENUE BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 11,089,546	$ 13,951,777	$ 25,041,323
1990	11,736,153	12,911,845	24,647,998
1991	12,503,388	12,458,673	24,962,061
1992	13,226,310	11,602,579	24,828,889
1993	12,024,984	10,769,070	22,794,054
1994–2013	144,436,619	64,016,232	208,452,851
Total	$ 205,017,000	$ 125,710,176	$ 330,727,176

HIGHER EDUCATION BONDS — SECTION 9(d)
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 77,131,960	$ 21,437,753	$ 98,569,713
1990	18,422,144	17,894,112	36,316,256
1991	17,564,402	16,801,653	34,366,055
1992	19,831,736	15,682,397	35,514,133
1993	16,603,637	14,376,350	30,979,987
1994–2017	197,101,168	187,544,992	384,646,160
Total	$ 346,655,047	$ 273,737,257	$ 620,392,304
Total Higher Education Bonds	$ 551,672,047	$ 399,447,433	$ 951,119,480

The Virginia Port Authority (VPA) has issued bonds and notes pursuant to powers provided to its Board of Commissioners by the *Code of Virginia*. The debt service on these obligations has been paid in whole or in part by the Commonwealth and by revenues of the Port Authority. This debt is not backed by the full faith and credit of the Commonwealth. At June 30, 1988, there were outstanding revenue bonds and long-term notes payable in the amount of $149,611,000.

The Virginia Public Building Authority (VPBA) issues bonds for the purpose of acquiring buildings to be leased by agencies of the Commonwealth. The bonds are payable from the funds of the Authority and are not backed by the full faith and credit of the Commonwealth, nor do they constitute a legal liability of the Commonwealth. At June 30, 1988, $121,380,000 of Authority bonds were outstanding.

The following schedules detail the annual funding requirements necessary to amortize the Virginia Port Authority and Virginia Public Building Authority bonds:

VIRGINIA PORT AUTHORITY DEBT
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 5,184,000	$ 8,160,223	$ 13,344,223
1990	8,184,000	11,046,730	19,230,730
1991	8,649,000	10,479,397	19,128,397
1992	8,164,000	9,856,030	18,020,030
1993	8,425,000	9,261,805	17,686,805
After 1993	111,005,000	74,678,674	185,683,674
Total	$ 149,611,000	$ 123,482,859	$ 273,093,859

VIRGINIA PUBLIC BUILDING AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 4,330,000	$ 7,329,345	$ 11,659,345
1990	4,660,000	7,068,837	11,728,837
1991	4,970,000	6,788,595	11,758,595
1992	5,315,000	6,437,285	11,752,285
1993	5,705,000	6,063,065	11,768,065
1994–2004	96,400,000	36,531,925	132,931,925
Total	$ 121,380,000	$ 70,219,052	$ 191,599,052
Total VPA and VPBA debt	$ 270,991,000	$ 193,701,911	$ 464,692,911

Public Benefit Corporations consisting of the Virginia Housing Development Authority (VHDA), the Virginia Education Loan Authority (VELA), the Virginia Public School Authority (VPSA), and the Virginia Resources Authority (VRA) issue bonds as part of their activities. This debt is not backed by the full faith and credit of the Commonwealth and does not consutute a liability of the Commonwealth. The following schedules detail the annual funding requirements necessary to amortize bonds issued by VHDA, VELA, VPSA, and VRA:

VIRGINIA EDUCATION LOAN AUTHORITY BONDS
Debt Service Requirements to Maturity

Maturity	Principal	Interest	Total
1989	$ 43,735,000	$ 24,936,815	$ 68,671,815
1990	42,095,000	20,424,230	62,519,230
1991	39,370,000	16,964,839	56,334,839
1992	38,610,000	13,638,418	52,248,418
1993	32,945,000	8,083,316	41,028,316
1994–1999	100,020,000	23,964,271	123,984,271
Less: Unamortized Discounts	(646,719)	—	(646,719)
Total	$ 296,128,281	$ 108,011,889	$ 404,140,170

VIRGINIA HOUSING DEVELOPMENT AUTHORITY BONDS
Principal Requirements to Maturity

Maturity	Principal*
1989	$ 80,230,000
1990	88,330,000
1991	90,160,000
1992	90,540,000
1993	87,349,000
1994–2028	2,552,031,000
Less: Unamortized Discounts and Premiums	(204,230,000)
Total	$ 2,784,410,000

*Interest payments for VHDA are not available.

VIRGINIA PUBLIC SCHOOL AUTHORITY BONDS
Debt Service Requirements to Maturity

Calendar Year Maturity	Principal	Interest	Total
1989	$ 27,560,000	$ 27,725,685	$ 55,285,685
1990	30,140,000	25,091,645	55,231,645
1991	30,340,000	23,206,577	53,546,577
1992	29,650,000	21,310,414	50,960,414
1993	28,785,000	19,447,903	48,232,903
1994–2007	261,900,000	112,646,278	374,546,278
Total	$ 408,375,000	$ 229,428,502	$ 637,803,502

VIRGINIA RESOURCES AUTHORITY BONDS
Principal Requirements to Maturity

Maturity	Principal*
1989	$ 1,900,000
1990	2,625,000
1991	2,820,000
1992	3,075,000
1993	3,265,000
1994–2017	144,635,000
Less: Unamortized Discounts and Issuance Expenses	(3,665,294)
Total	$ 154,654,706

*Interest payments for VRA are not available.

Total principal outstanding at June 30, 1988, on all Public Benefit Corporation bonds amounted to $3,643,567,987.

The State Highway Commission, as authorized by the *Code of Virginia*, has issued bonds for the construction of the Norfolk–Virginia Beach Toll Road. These bonds are not backed by the full faith and credit of the Commonwealth. The principal and interest requirements on these bonds are payable solely from the tolls and other revenues arising from the operation of the toll road. The following schedule details the annual funding requirements necessary to amortize these bonds:

NORFOLK–VIRGINIA BEACH TOLL REVENUE BONDS
Principal Requirements to Maturity

Calendar Year Maturity	Principal*
1988	$ 475,000
1989	505,000
1990	525,000
1991	550,000
1992–1996	3,210,000
1997–2001	4,160,000
2002–2004	3,055,000
Total	$ 12,480,000

*Interest payments for these bonds are not available.

The following schedule summarizes the changes in long-term debt reflected in the General Long-Term Debt Account Group:

Schedule of Changes in General Long-Term Debt
(Dollars in Thousands)

	Balance July 1, 1987	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1988
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds:				
Public Facilities Bonds, Series 1978	$ 72,325	$ —	$ 6,575	$ 65,750
Transportation Facilities Bonds, Series 1986 (Powhite Parkway Extension)	78,000	—	—	78,000
Transportation Facilities Bonds, Series 1987A (Dulles Toll Road)	57,100	—	1,500	55,600
Total Sections 9(b) and 9(c) Bonds	207,425	—	8,075	199,350
Other Long-Term Debt:				
Long-Term Capital Lease Obligations	7,853	602	1,421	7,034
Long-Term Portion of the Liability for Compensated Absences	137,353	6,662	—	144,015
Insurance Claims Payable	25,672	40,451	25,144	40,979
Installment Purchases	4,360	11,193	2,396	13,157
Total Long-Term debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth	382,663	58,908	37,036	404,535
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk–Virginia Beach Toll Revenue Bonds, Series 1965	17,690	—	5,210	12,480
Virginia Port Authority Long-Term Debt	50,772	106,120	7,281	149,611
Virginia Port Authority Capital Lease Obligations	9,613	826	1,521	8,918
Virginia Public Building Authority Long-Term Debt	122,790	—	1,410	121,380
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	200,865	106,946	15,422	292,389
Total General Long-Term Debt Account Group	$ 583,528	$ 165,854	$ 52,458	$ 696,924

Bond Defeasance

There were two bond defeasances in the Proprietary Fund Types in fiscal year 1988. The first was the result of an advance refunding. On August 13, 1987, the Virginia Public School Authority issued $35,695,000 in Virginia Public School Financing Bonds (1987 Resolution) 1987 Refunding Series A, with a true interest cost of 6.9686 percent to advance refund $31,090,000 of outstanding 1963 Resolution Bonds (Series 1980A, 1982A, 1982C, 1984A, 1985A). The net proceeds from the sale of the bonds in the amount of $35,196,000 were used to purchase State and Local Government Series obligations which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on refunded bonds. As a result, these bonds are considered to be defeased and the liability for these bonds has been removed from the long-term debt in the Enterprise Fund. Although the debt defeasance resulted in an accounting loss of $4,106,039, the advance refunding of the bonds will reduce total debt service payments over the next 18 years by $1,602,210 and provide an economic gain of approximately $1,430,561.

The second bond defeasance occurred as the result of the Virginia Resources Authority selling a loan receivable made with the proceeds of the Sewer System Revenue Bonds, 1985 Series. The proceeds from the sale were used to defease $2,297,866 of the Sewer System Revenue Bonds, 1985 Series. The defeasance was accomplished by depositing with an escrow agent monies, which, together with earnings from the investments thereof, will be sufficient to pay principal and interest when due on these bonds. This defeasance resulted in a loss on early extinguishment of $306,180.

At June 30, 1988, the following outstanding bonds are considered defeased:

General Long Term Debt:	
1973 Transportation Facilities Bonds	$ 47,000,000
1984 UVA Hospital Revenue Bonds — Series A	$ 40,000,000
1984 UVA Hospital Revenue Bonds — Series B	$ 70,000,000
1983 MCV Hospital Revenue Bonds — Series B	$ 20,320,000
1982 Transportation Facilities Bonds — Series 1982	$ 55,750,000
1984 State Building Revenue Bonds — 1984 Series A	$ 75,980,000
Proprietary Fund Debt:	
1980 Virginia Public School Authority — Series 1980A	$ 9,600,000
1982 Virginia Public School Authority — Series 1982A	$ 2,875,000
1982 Virginia Public School Authority — Series 1982C	$ 3,400,000
1984 Virginia Public School Authority — Series 1984A	$ 8,505,000
1985 Virginia Public School Authority — Series 1985A	$ 6,710,000
1985 Sewer System Revenue Bonds — Series 1985	$ 2,297,866

Capital Leases

The Commonwealth of Virginia leases buildings and equipment under various agreements that are accounted for as capital leases. The lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

Gross minimum lease payments, together with the present value of the net minimum lease payments as of June 30, 1988 were:

1989	$ 7,247,919
1990	6,005,046
1991	4,284,329
1992	3,525,828
1993	2,011,878
After 1993	10,018,135
Total Gross Minimum Lease Payments	33,093,135
Less Amount Representing Executory Costs	2,271,561
Net Minimum Lease Payments	30,821,574
Less Amount Representing Interest	8,211,557
Present Value of Net Minimum Lease Payments	$ 22,610,017

At June 30, 1988, capitalized leases included in property, plant, and equipment (net of accumulated depreciation) were as follows:

	General Fixed Assets Account Group	Enterprise Funds	Higher Education Fund	Totals (Memorandum Only)
Buildings	$ 3,123,114	$ —	$ 1,267,342	$ 4,390,456
Equipment	2,326,279	412,164	7,069,663	9,808,106
Total Fixed Assets	$ 5,449,393	$ 412,164	$ 8,337,005	$ 14,198,562

Installment Purchases

The Commonwealth of Virginia finances the acquisition of certain property and equipment through installment purchase agreements. The length of the agreements and the interest rates charged vary. In most cases, the agreements are collateralized by the property and equipment acquired. The balance of installment purchases outstanding at June 30, 1988 was $18,955,995, and is included in notes payable on the Combined Balance Sheet.

Installment purchase agreements contain nonappropriation clauses indicating that continuation of installment purchase is subject to funding by the General Assembly.

5. DEFICIT RETAINED EARNINGS/FUND BALANCES

The State Lottery Department began operations on December 1, 1987. The sources of funding for operations consisted of a temporary loan from the General Fund of the Commonwealth and retailer application fees. No revenues have been generated from lottery ticket sales through June 30, 1988. The deficit position resulted from expenses exceeding revenues for the period ended June 30, 1988, and will continue until the Department begins generating sufficient revenues from the lottery ticket sales to cover expenses.

The Workers' Compensation Internal Service Fund had a deficit retained earnings of $5,861,928 at June 30, 1988, attributable to underbillings of State agencies by the Division of Risk Management. Amounts billed to State agencies were not sufficient to cover the payments of claims for fiscal year 1988. Billing rates should be adjusted in future years to eliminate this deficit. For financial reporting purposes, the deficit has been allocated to the various funds of the Commonwealth based on an analysis of actual billings and claims data for fiscal year 1988. The revenue of the Workers' Compensation Fund and the expenditures/expenses of other funds that were underbilled have been adjusted to eliminate this deficit. The underbilling is reported as Due to/Due from Other Funds on the Balance Sheet.

The Virginia Public School Authority had a deficit retained earnings of $1,581,349 at June 30, 1988, attributable to the extraordinary loss on debt defeasance of $4,106,039.

6. ADJUSTMENTS TO FUND EQUITY

This report includes changes in the accounting for the Virginia Public School Authority, the State Education Assistance Authority reported herein as Enterprise Funds, the Literary Fund reported as a Special Revenue Fund, and the Debt Service Fund. Accordingly, 1987 memorandum totals have been restated.

The following schedule details the restatements made to Fund Equity as of June 30, 1987, to give retroactive effect to these changes:

Restatement of Beginning Fund Equity
(Dollars in Thousands)

	Enterprise — PBC	Special Revenue	Debt Service
Fund Equity/ Retained Earnings, June 30, 1987, as previously reported	$ 409,837	$ 616,605	$ 29,971
To record the effect of a change in accounting	(24,728)	11,669	—
To record assets not previously reported	—	—	8,568
Fund Equity/ Retained Earnings, June 30, 1987, as adjusted	$ 385,109	$ 628,274	$ 38,539

7. RETIREMENT AND PENSION SYSTEMS

A. Plan Description

The Commonwealth of Virginia contributes to three contributory retirement systems. The Virginia Supplemental Retirement System (VSRS) is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the Commonwealth and political subdivisions in Virginia. VSRS provides retirement benefits to State employees, teachers, and political subdivision employees. The State Police Officers' Retirement System (SPORS) and the Judicial Retirement System (JRS) are single-employer retirement plans. The SPORS provides retirement benefits to Virginia State police officers, and the JRS provides retirement benefits to the Commonwealth's judiciary. All retirement systems are administered by the Virgnia Supplemental Retirement System. The information in the following paragraphs pertains only to employees of the Commonwealth.

The payroll for employees of the Commonwealth covered by VSRS for the year ended June 30, 1988, was $1,914,551,520 as compared to a total payroll of $3,052,747,575. The payroll for employees covered by the SPORS and the JRS for the year ended June 30, 1988, was $41,884,440 and $23,565,700 respectively, which was also the total payroll.

All full-time, salaried employees of the Commonwealth, with the exception of certain full-time faculty and administrative staff of State colleges and universities who have the option not to participate in the VSRS, participate in the VSRS, SPORS, or JRS. Benefits vest after five years of service. Employees who retire at or after age 55, with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.5% of their average final salary (AFS) up to $13,200 or 1.65% of AFS over $13,200 (less $1,200) for each year of credited service. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to age 65 (age 60 for SPORS) or age 60 (age 55 for SPORS) with 30 years; or when age and service equal ninety for employees hired after April 1, 1980; or for participating employees at age 55 with 30 years of service. Members of SPORS may receive a monthly benefit supplement if they retire prior to age 65. Members of the JRS receive 3.5 years of creditable service for each year of actual service for the JRS. The VSRS, SPORS, and JRS also provide death and disability benefits. These benefit provisions and all other requirements are established by State statute.

The Commonwealth pays the 5% of employees' annual salaries that employees are required to contribute to the retirement system. The Commonwealth contributes the remaining amounts necessary to fund the systems using the actuarial basis specified by statute.

B. Funding Status and Progress

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits, and is intended to help users assess the funding status of each retirement system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is independent of the funding method used to determine contributions to the retirement systems discussed in Section C of this note.

The pension benefit obligation was determined as part of an actuarial valuation performed as of June 30, 1987. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 6½ percent a year compounded annually, (b) projected salary increases of 4½ percent a year compounded annually, attributed to inflation, (c) additional projected salary increases, graded by age, of approximately ¾ percent a year attributable to seniority/merit, and (d) post-retirement benefit increases of 3¾ percent per year.

At June 30, 1987, the total unfunded pension benefit obligations in millions of dollars applicable to the Commonwealth of Virginia were as follows:

	VSRS	SPORS	JRS
Pension benefit obligation:			
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	$ 1,041.6	$ 39.0	$ 67.5
Current Employees:			
Accumulated employee contributions including allocated investment earnings	539.4	19.4	7.3
Employer-financed vested	1,223.6	38.7	33.7
Employer-financed nonvested	1,231.9	41.4	22.6
Total pension benefit obligation	4,036.5	138.5	131.1
Net assets available for benefits, at cost (market value is $2,545.5, $95.8, and $57.3, respectively	2,242.1	84.3	49.5
Unfunded pension benefit obligation	$ 1,794.4	$ 54.2	$ 81.6

C. Contributions Required and Made

The funding policy of VSRS, SPORS, and JRS provide for periodic employer contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll, and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Rates necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately on a pay-as-you-go basis. Gains and losses are reflected in the unfunded accrued liability that is being amortized as a level percentage of payroll within a 40-year period.

Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to determine the pension benefit obligation as described in B above, except that no future post-retirement supplements are anticipated.

Total employer contributions of the Commonwealth to the VSRS, SPORS, and JRS for the fiscal year 1988, of $141,324,095, $4,812,586, and $7,541,024, respectively, were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1987. These contributions consisted of the following:

	VSRS	SPORS	JRS
Normal Cost	$ 59,305,647	$ 2,722,525	$ 3,556,599
Amortization of unfunded actuarial accrued liability	58,404,345	1,486,917	2,273,120
Cost of living supplement	23,614,103	603,144	1,711,305
Total Employer Contributions	$141,324,095	$ 4,812,586	$ 7,541,024
Employer Contributions	$141,324,095	$ 4,812,586	$ 7,541,024
Employee Contributions	97,270,165	2,100,447	1,109,011
Total Contributions	$238,594,260	$ 6,913,033	$ 8,650,035

Contributions made by the Commonwealth represent 7.84%,11.49%, and 32.08%, respectively, of covered payrolls for the fiscal year while employee contributions represent 5% of current covered payrolls.

The computations of the pension contribution requirements for fiscal year 1988 were based on the same actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors as used to determine pension contribution requirements in the previous year.

D. **Trend Information**

Historical trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, and may be found on page 76 of this report. The standardized measure of the pension obligation is available for fiscal year 1987 only.

For the year ended June 30, 1987, available assets were sufficient to fund 55.5% of the Commonwealth's pension benefit obligation relating to VSRS, 60.9% relating to SPORS, and 37.8% relating JRS. Unfunded pension benefit obligations represented 101.0% of the annual payroll for employees of the Commonwealth covered by VSRS and 147.7% and 377.8% of the annual payroll for employees covered by SPORS and JRS respectively. Showing unfunded pension benefit obligations as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the fiscal year ended June 30, 1987, employer contributions to the VSRS, all made in accordance with actuarially determined requirements, by the Commonwealth, were 7.84% of annual covered payroll. Employer contributions to the SPORS and the JRS, also made in accordance with actuarially determined requirements, were 11.49% and 32.08% of annual covered payroll for State police officers and the judiciary.

E. **Defined Contribution Plan**

Full-time faculty and certain administrative staff of the Commonwealth's colleges and universities may participate in a retirement annuity program through TIAA-CREF Insurance Companies rather than VSRS. This is a fixed contribution program where the retirement benefits received are based upon the Commonwealth's (7.84%) and employees' (5%) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the Commonwealth's and the employees' contributions. Total pension costs under this plan were approximately $10,532,873 in fiscal year 1988. Contributions to the TIAA/CREF Insurance Companies were calculated using the base salary amount of approximately $82,031,729.

F. **Component Unit Pension Information**

Note 1B outlines the component units included in the Commonwealth's reporting entity. The Virginia Public Building Authority, the Virginia Public School Authority, and the Virginia College Building Authority have no employees. The Virginia Resources Authority has no pension plan. Separate financial reports of the other component units are publicly available and should be referred to for the pension disclosures required by GASB Statement 5. The Virginia Education Loan Authority (VELA) and the State Education Assistance Authority (SEAA) contribute to the Virginia Supplemental Retirement System, an agent multiple-employer public employee retirement system. The pension benefit obligation, net assets available for benefits, and the unfunded benefit obligation for each entity are as follows:

	VELA	SEAA
Pension benefit obligation	$ 536,037	$ 168,080
Net assets available for benefits at cost	557,141	158,101
Unfunded pension benefit obligation (Assets in excess of pension benefit obligation)	$ (21,104)	$ 9,979

Full-time employees of the Virginia Housing Development Authority participate in a defined contribution employees' retirement savings plan administered by the Authority. This is a noncontributory plan where the benefits received are based on the Authority's (8%) contributions, plus interest. Total costs under this plan were $381,116 in fiscal year 1988. Contributions to the plan were calculated using a base salary amount of approximately $4,764,000. The retirement expense is fully funded as incurred, therefore, there is no unfunded future retirement liabilities.

For each component unit, contributions were made in accordance with the actuarially determined requirements.

8. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan is established and administered by the Investment Department of the Virginia Supplemental Retirement System, pursuant to the Government Employees Deferred Compensation Plan Act, Section 51-111.67:15 et. seq. of the *Code of Virginia*. The Investment Department contracts with private corporations or institutions subject to the standards set forth in the Code to provide investment products as well as any other goods and services related to the administration of the deferred compensation plan. The Department of Accounts is responsible for the accounting, reconciliations, and record keeping associated with State employees' enrollment, payment to the plan through payroll deductions, and timely transfer of withheld funds to the trustee designated by the Investment Department for investment. The plan is designed so that each participant retains investment control of his/her individual account. The investment options range from a guaranteed rate of return in the general account to the aggressive growth fund account which seeks growth of capital. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. All assets and liabilities of the plan are stated at market value and are reported in an agency fund.

It is the opinion of the Attorney General that the Commonwealth has no liability for losses under the plan. The plan assets are subject to the claims of the Commonwealth's general creditors; however, to the knowledge of the Attorney General, no assets have been used in the past to satisfy such claims.

9. POST-RETIREMENT LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the Commonwealth provides life insurance benefits for retired employees. These benefits are reported in Expendable Trust Funds. The estimated cost of such benefits is accrued over the working lives of the employees through employer contributions. The Commonwealth recognizes the cost of providing these benefits by expensing the annual employer contributions of $6,100,104 and the annual employee contribution, paid by the Commonwealth, of $15,250,589 for fiscal year 1988.

10. SELF-INSURANCE

The Commonwealth, through its Department of General Services, Division of Risk Management, maintains self-insurance programs for workers' compensation, property, and general (tort) liability which are accounted for in the Risk Management, Internal Service Fund. Interfund premiums are accounted for as quasi-external transactions.

The Commonwealth also provides errors and omissions liability insurance and law enforcement professional liability insurance for local governmental units throughout the Commonwealth. All activity of these programs is also accounted for in the Risk Management, Internal Service Fund.

At June 30, 1988, $40,978,609 is reported as the estimated claims payable for self-insurance. This figure is reported at gross and does not reflect possible reimbursements for insurance recoveries. This method is used for the purpose of reporting financial disclosures more conservatively. Because the risk relating to this liability remains with the governmental unit and not the Risk Management Fund, the liability is recorded in the General Long-Term Debt Account Group. These estimated losses are based upon actual claims that have been submitted. Claims incurred but not reported have not been considered when determining the liability.

For workers' compensation and general liability, the Commonwealth assumes the full risk of claims filed. For property damages, the risk assumed by the Commonwealth is limited to $100,000 per occurrence with an aggregate stop loss of $1,000,000. The risk assumed by the Commonwealth for errors and omissions and law enforcement liability is limited to $1,000,000 per occurrence.

11. SEGMENT INFORMATION — ENTERPRISE FUNDS

Segment financial information for the Commonwealth's Enterprise Funds as described in Note 1.C, is presented below:

Selected Segment Information
For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	State			Public Benefit Corporations						
	Department of Alcoholic Beverage Control	Other	Sub-Total	Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia Resources Authority	Virginia Public School Authority	Other	Sub-Total	Total Enterprise Funds
Operating Revenues	$255,875	$5,578	$261,453	$ 279,051	$ 47,725	$ 13,722	$ 30,676	$89,477	$ 460,651	$ 722,104
Depreciation Expense	1,489	29	1,518	62	463	8	—	1,109	1,642	3,160
Operating Income (Loss)	34,158	(1,384)	32,774	35,431	3,896	1,993	8,604	8,111	58,035	90,809
Net Transfers In (Out)	(33,192)	—	(33,192)	—	—	—	(8,263)	—	(8,263)	(41,455)
Net Nonoperating Revenues (Expenses)	142	163	305	—	—	1,126	—	—	1,126	1,431
Extraordinary Items	—	—	—	—	—	(306)	(4,106)	(20,842)	(25,254)	(25,254)
Net Income (Loss)	1,108	(1,221)	(113)	35,431	3,896	2,813	(3,765)	(12,731)	25,644	25,531
Property, Plant, and Equipment Additions	1,428	57	1,485	10,255	557	4	—	1,736	12,552	14,037
Total Assets	35,751	8,523	44,274	3,245,830	519,436	183,884	674,476	69,433	4,693,059	4,737,333
Total Long-Term Liabilities	10,008	125	10,133	2,785,581	432,050	154,660	661,740	1,368	4,035,399	4,045,532
Total Liabilities	30,277	5,501	35,778	2,947,009	439,278	159,643	676,057	37,187	4,259,174	4,294,952
Total Equity	5,474	3,022	8,496	298,821	80,158	24,241	(1,581)	32,246	433,885	442,381
Total Working Capital	6,833	2,364	9,197	401,225	119,081	16,560	(237,798)	10,556	309,624	318,821

12. EXTRAORDINARY ITEM

The State Education Assistance Authority, included herein as a Proprietary (Enterprise) Fund, received notification from the U.S. Department of Education on October 17, 1988 of the Department's final decision to recover excess cash reserves accumulated by the Authority. The Department's action is pursuant to an amendment dated December, 1987, to Section 422 of the Higher Education Act of 1965, titled "Recovery of Excess Reserves Accumulated Under the Guaranteed Student Loan Program." This amendment places a ceiling on the cash reserves which the Authority can accumulate as determined by the Department based on certain criteria specified by the Act. Excess cash reserves as determined by the Department held by the Authority of $20,842,452 will be recovered by the Department by applying pending and future eligible reinsurance claims to such excess until completely recovered. This amount is reported on the Combined Balance Sheet as a liability "Amounts Due to Other Governments" and on the accompanying Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Funds Balances All Proprietary Fund Types and Similar Trust Funds as an extraordinary loss, "Loss on Federal Recovery of Excess Reserves."

13. COMMITMENTS AND CONTINGENCIES

A. Grants and Contracts

The Commonwealth has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Commonwealth.

Institutions of higher education and other State agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain agencies within the Commonwealth may not be in total compliance with these regulations. Failure to have complied with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. We believe that the ultimate disallowance pertaining to these regulations, if any, will be immaterial to the overall financial condition of the Commonwealth.

B. Highway Construction Projects

At June 30, 1988, the Department of Transportation had contractual commitments of approximately $1 billion for construction of various highway projects. Funding of these future expenditures is expected to be provided as follows: (1) Federal Funds — approximately 44% or $453 million, (2) State Funds — approximately 55% or $576 million, and (3) Proceeds from Bonds — approximately 1% or $1 million.

C. Litigation

The Commonwealth is named as a party in legal proceedings that occur in the normal course of governmental operations, some involving substantial amounts. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the Commonwealth in respect to the various proceedings; however, it is believed that any ultimate liability resulting from these suits will not have a material, adverse effect on the financial condition of the Commonwealth.

D. Operating Leases

The Commonwealth of Virginia has entered into numerous agreements to lease land, buildings, and equipment. Most of the operating leases contain the provision that the Commonwealth may renew the operating leases at the expiration date of the lease on a month-to-month basis. In most cases management expects that in the normal course of business, leases will be renewed or replaced by other leases of a similar nature. Rental expense under these operating leases for the year ended June 30, 1988, was $44,392,657. The Commonwealth has, as of June 30, 1988, the following minimum rental payments due under the above leases:

1989	$ 34,457,667
1990	22,084,603
1991	16,169,311
1992	10,175,708
1993	6,430,396
After 1993	9,745,033
Total	$ 99,062,718

Lease agreements are for various terms and all leases contain nonappropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly.

14. SUBSEQUENT EVENTS

Subsequent to year end, the Commonwealth Transportation Board issued bonds in the amount of $138,483,372. The bonds carry interest rates from 5.8% to 8.0% and mature on various dates to March 1, 2018. These Transportation Contract Revenue Bonds are dated September 1, 1988. These will be used to finance improvements to State Route 28 in Fairfax and Loudoun Counties. The bonds are limited obligations of the Commonwealth and are payable from revenues, receipts, and funds appropriated for their payment from the Transportation Trust Fund. Payments will be made from a special tax levied by the State Route 28 Highway Transportation Improvement District located in Fairfax and Loudoun Counties, and, to the extent required, from highway allocations to the Northern Virginia District and the two counties.

In addition, the Virginia Port Authority issued Port Facilities General Revenue Refunding Bonds in the amount of $8,565,000, dated October 1, 1988. The bonds carry interest rates from 5.7% to 6.45% and mature on various dates to July 1, 1995. These bonds were issued to currently refund the Authority's Port Facilities General Revenue Bonds, Series 1984 of which $9,745,000 remained outstanding on that date. The bonds are limited obligations of the Commonwealth and payable from funds appropriated to the Port Authority, including appropriations from the General Fund.

The Virginia Public Building Authority issued State Building Revenue Bonds dated October 1, 1988, in the amount of $163,444,529 to finance the construction of prison facilities. The bonds carry interest rates from 5.9% to 7.75% and mature on various dates to August 1, 2010. The facilities will be leased by the Authority to the Commonwealth, through the Department of Corrections. Lease payments will be payable annually to the Authority subject to appropriation by the General Assembly.

The Virginia Public School Authority issued $61,995,000 School Financing Bonds also dated October 1, 1988. These bonds will finance construction of school facilities in 18 counties and 3 cities and are payable solely from the principal and interest payments on general obligation bonds issued by those localities and held by the Authority, and from certain other funds of the Authority. The bonds carry interest rates from 6.5% to 8.5% and mature on various dates to January 1, 2009.

Required Supplementary Information
Analysis of Funding Progress for Defined Pension Benefit Plan(s)

Commonwealth of Virginia
For the Fiscal year Ended June 30, 1987[1]
(Dollars in Millions)

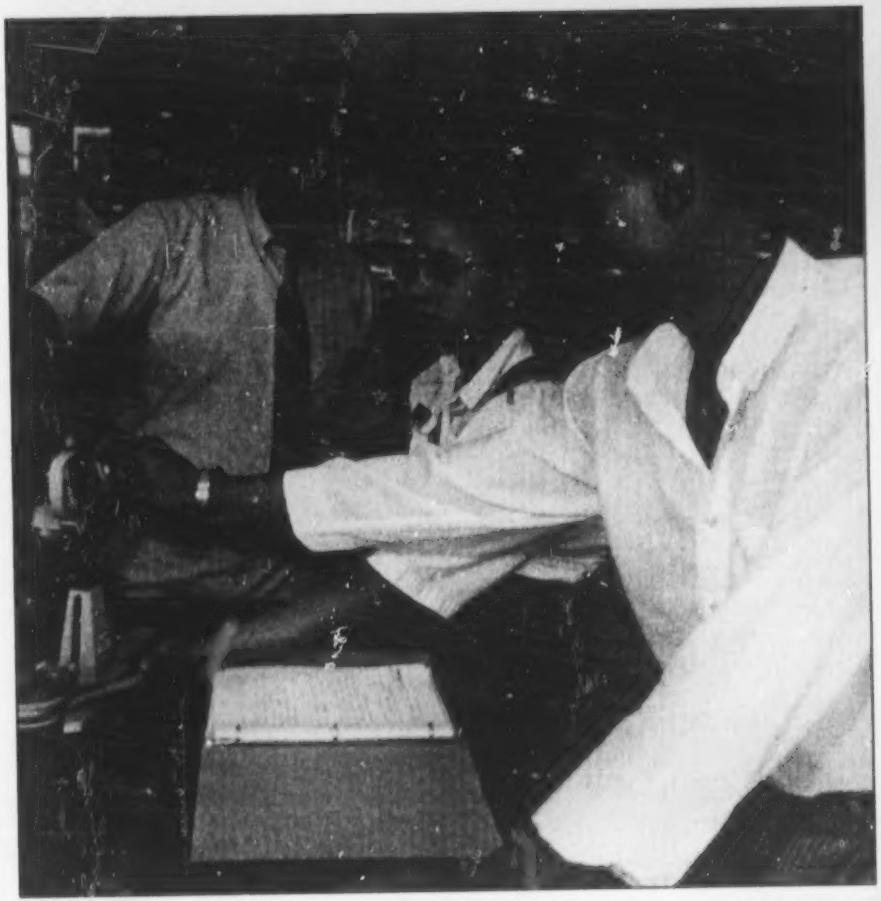
	Net Assets Available for Benefits	Pension Benefit Obligation	Percentage Funded	Unfunded Pension Benefit Obligation	Annual Covered Payroll	Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll
Virginia Supplemental Retirement System	$2,242.1	$4,036.5	55.5%	$1,794.4	$1,777.3	101.0%
State Police Officers' Retirement System	$ 84.3	$ 138.5	60.9%	$ 54.2	$ 36.7	147.7%
Judicial Retirement System	$ 49.5	$ 131.1	37.8%	$ 81.6	$ 21.6	377.8%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligations, and unfunded pension benefit obligations in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligations provide one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligations and annual covered payrolls are both affected by inflation. Expressing the unfunded pension benefit obligations as a percentage of annual covered payrolls approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

[1] Ten-year historical trend information is unavailable for years prior to 1987.

Norfolk State University

Location:	Norfolk
President:	Dr. Harrison B. Wilson
Faculty–	
Tenured:	165
Non-Tenured:	162
Total Faculty:	327
Student Enrollment–	
Full Time:	6,075
Part Time:	1,646
Total Enrollment:	7,721



Students and their professor conduct an experiment in a physics laboratory at Norfolk State University.

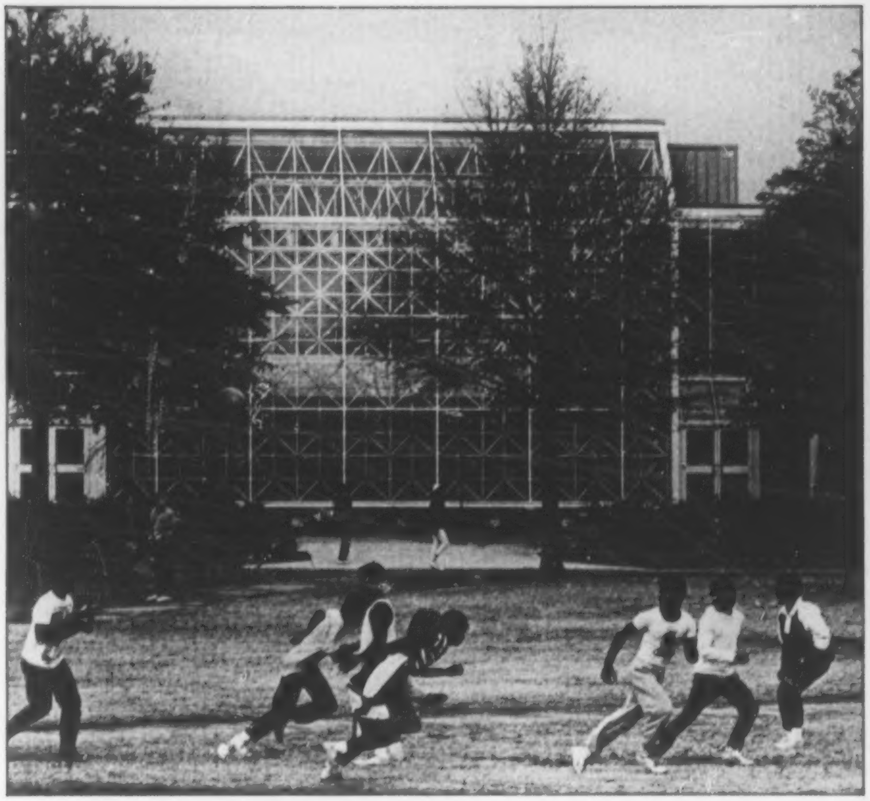
In 1935, due to a growing need for higher education in the Tidewater region, Virginia Union University established a Norfolk unit. In 1942, Virginia Union relinquished control to the newly-chartered Norfolk Polytechnic College, which was subsequently merged with Virginia State College in 1944. It began offering the bachelor's degree program in 1954. In 1969, the General Assembly established the independent institution of Norfolk State College which was expanded in 1979 to become a University.

Today, the University is the third largest predominately black institution in the nation. It is home to the nation's second largest female ROTC unit; and the men's ROTC unit is the largest of any non-military school in the Commonwealth. The NSU campus is located in Norfolk, Virginia's second largest city, which is surrounded on three sides by the Chesapeake Bay.

A broad range of academic disciplines is offered through nine schools and thirty-two departments. At the master's level, the University continues to enhance its human resources program.

Old Dominion University

Location:	Norfolk
President:	Dr. Joseph M. Marchello
Faculty–	
Tenured:	358
Non-Tenured:	229
Total Faculty:	587
Student Enrollment–	
Full Time:	9,999
Part Time:	5,641
Total Enrollment:	15,640



Students compete in a friendly game of football on the mall near Old Dominion's latest building project, an addition to the Kaufman and Duckworth engineering halls. The addition, which earned an architecture award from the American School and University Architecture Portfolio, was recognized for "educational design excellence."

Old Dominion University had its formal beginning in 1930, as the Norfolk Division of the College of William and Mary. Under cooperative agreement with the Norfolk Division, Virginia Polytechnic Institute and State University began offering an engineering program in 1931. In 1954, the school began offering baccalaureate programs; and in 1962, by act of the General Assembly, it became an independent institution and was named Old Dominion College. In September, 1969, the growing College became Old Dominion University.

Old Dominion University is located in southeastern Virginia, a diverse metropolitan area with a population of 1.31 million people. Tidal waters from the Lafayette and Elizabeth Rivers touch two sides of the ODU campus.

Six academic colleges provide students with a wide array of undergraduate and master's degree programs. Doctoral degree programs are offered in selected areas. The University has also established the Peninsula Graduate Engineering Center in Hampton, and the Virginia Beach Graduate Center in Virginia Beach is scheduled to open in the Fall of 1988.

Radford University

Location:	Radford
President:	Dr. Donald N. Dedmon
Faculty–	
Tenured:	202
Non-Tenured:	197
Total Faculty:	399
Student Enrollment–	
Full Time:	7,101
Part Time:	1,021
Total Enrollment:	8,122

Radford University's 140 acre campus houses 18 administration buildings and 15 resident halls. Muse Hall, the tallest building on the campus, houses 900 students, and was named for Leonard G. Muse, the rector from the first Board of Visitors.

Established in 1910, by the General Assembly as the State Normal and Industrial School for Women at Radford, the school became Radford State Teachers College in 1924, and began awarding the Bachelor of Arts degree in 1935. In 1944, the College was consolidated with Virginia Polytechnic Institute and State University as its Women's Division and renamed Radford College. In 1964, the General Assembly established the independent institution of Radford College and the College was authorized to grant the Master of Science degree. After almost 60 years as a college for women, in 1972, Radford became coeducational, and in 1979, the General Assembly granted it university status.

The Radford campus is located in the Blue Ridge Mountains, near the Blue Ridge Parkway and Appalachian Trail. Influence of the Scottish immigrants who settled in the area is seen in many areas of the University; RU's tartan is registered in Scotland.

The University offers 78 undergraduate degree programs, 31 degree programs at the master's level, and the Educational Specialist degree in school psychology. Though the University's primary emphasis is on teaching, it endeavors to serve the public needs of western Virginia with a wide range of academic, cultural and human service programs.

Richard Bland College of the College of William and Mary

Location:	Petersburg
President:	Dr. Clarence Maze, Jr.
Faculty–	
Tenured:	22
Non-Tenured:	5
Total Faculty:	27
Student Enrollment–	
Full Time:	570
Part Time:	338
Total Enrollment:	908

Richard Bland College students enjoy springtime on the beautiful campus.

Founded in 1960, by an Act of the General Assembly, Richard Bland College was established as a branch of the College of William and Mary to provide opportunities for higher education to the citizens of southside Virginia. Governed directly by the Board of Visitors of the College of William and Mary, the College offers transfer junior college associate degree programs.

Richard Bland College is the Commonwealth's only State-supported junior college. The College's curricular emphasis is on general education courses and provides special developmental programs for students who need to improve skills necessary for further success in college.

Combining & Individual Fund Statements

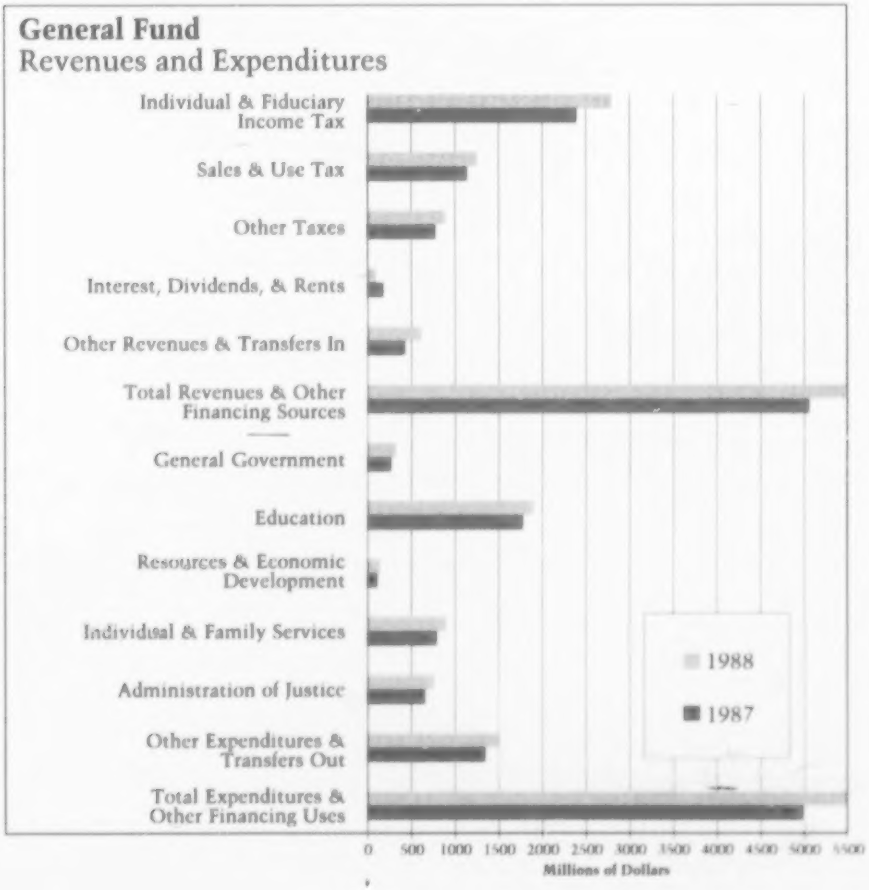
General Fund

The General Fund accounts for all financial resources received and used for services traditionally provided by a state government that are not accounted for in another fund.

Analysis

The graph below outlines General Fund revenues and expenditures for the years ended June 30, 1988, and June 30, 1987, on the modified accrual basis of accounting. Under this basis, total revenues and other sources exceeded expenditures and other uses by $96 million.

Revenues increased $453 million over the prior year, or 9.7%, primarily as a result of an increase in individual and fiduciary tax revenues. Expenditures increased $377 million over the prior year, or 10.2%, primarily as a result of increases of $155 million in education, $103 million in individual and family services, and $72 million in administration of justice.



General Fund
Revenues and Expenditures

Balance Sheet
General Fund

June 30, 1988

(Dollars in Thousands)

	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$ 90,023	$ 125,113
Petty Cash and Travel Advances	3,879	3,900
Taxes, Loans, Accounts, and Other Receivables (Net)	320,476	288,341
Due from Other Funds	6,181	28,842
Interfund Receivables	35,666	2,280
Loans Receivable from Proprietary Funds	20,495	21,933
Investments	320,022	277,930
Prepaid Expenses	12,194	—
Total Assets	$ 808,936	$ 748,339
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 70,630	$ 92,235
Tax Refunds Payable	35,196	34,278
Amounts Due to Other Governments	103,368	76,045
Deposits Pending Distribution	129	1,416
Due to Other Funds	8,107	5,190
Deferred Revenue	366	366
Deferred Credit	237,935	282,004
Accrued Liability for Compensated Absences	299	210
Total Liabilities	456,030	491,744
Fund Balance:		
Reserved for Working Capital Advances and Loans	20,495	22,480
Unreserved:		
Designated for Reappropriation of Unexpended Balances	330,461	290,434
Undesignated	121,193	137,961
Fund Balance—Budgetary Basis	472,149	450,875
Adjustments from Budget to GAAP	(119,243)	(194,280)
Total Fund Balance	352,906	256,595
Total Liabilities and Fund Balance	$ 808,936	$ 748,339

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance General Fund

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Year Ended	
	June 30, 1988	June 30, 1987
Revenues:		
Taxes	$ 4,950,444	$ 4,445,796
Rights and Privileges	26,291	26,049
Assessments and Receipts for Support of Special Services	776	277
Institutional Revenue	2,820	2,083
Interest, Dividends, and Rents	79,050	164,268
Fines, Forfeitures, Court Fees, Penalties, and Escheats	40,732	37,205
Revenues from Cities, Counties, and Towns	1,034	1,130
Private Donations, Gifts, and Contracts	73	18
Other	40,604	12,113
Total Revenues	5,141,824	4,688,939
Expenditures:		
Current:		
General Government	275,839	256,985
Education	1,948,689	1,793,509
Transportation	10,441	17,112
Resources and Economic Development	147,333	132,247
Individual and Family Services	886,446	783,796
Administration of Justice	746,425	674,677
Capital Projects	46,196	25,827
Total Expenditures	4,061,369	3,684,153
Revenues Over (Under) Expenditures	1,080,455	1,004,786
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	448,895	326,727
Operating Transfers Out	(1,480,661)	(1,280,467)
ABC Profit	25,897	28,905
Appropriations Act	21,532	20,512
Proceeds from Capital Leases	193	—
Total Other Financing Sources (Uses)	(984,144)	(904,323)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	96,311	100,463
Fund Balance, July 1	256,595	156,132
Fund Balance, June 30	$ 352,906	$ 256,595

See Notes to the Financial Statements.

Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis General Fund

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes:			
Individual and Fiduciary Income	$ 2,671,200	$ 2,757,868	$ 86,668
Sales and Use	1,200,800	1,192,101	(8,699)
Corporation Income	309,400	336,131	26,731
Public Service Corporations	151,000	152,111	1,111
Premiums of Insurance Companies	184,200	180,460	(3,740)
Other Taxes	249,400	261,376	11,976
Total Taxes	4,766,000	4,880,047	114,047
Rights and Privileges	26,300	26,813	513
Assessments and Receipts for Support of Special Services	500	712	212
Institutional Revenue	2,600	2,695	95
Interest, Dividends, and Rents	83,500	79,596	(3,904)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	39,800	40,367	567
Revenues from Cities, Counties, and Towns	900	1,078	178
Other	19,500	23,926	4,426
Total Revenues	4,939,100	5,055,234	116,134
Expenditures:			
Current			
General Government	312,596	279,295	33,301
Education	1,994,511	1,990,484	4,027
Transportation	16,096	16,090	6
Resources and Economic Development	163,260	155,802	7,458
Individual and Family Services	987,854	986,719	1,135
Administration of Justice	759,806	752,188	7,618
Capital Projects	41,912	41,912	—
Total Expenditures	4,276,035	4,222,490	53,545
Revenues Over (Under) Expenditures	663,065	832,744	169,679
Other Financing Sources (Uses):			
Transfers:			
Higher Education (Educational and General)	(800,461)	(798,148)	2,313
Other	(66,898)	(78,217)	(11,319)
ABC Profit	26,000	26,259	259
Appropriations Act	46,400	38,636	(7,764)
Total Other Financing Sources (Uses)	(794,959)	(811,470)	(16,511)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(131,894)	21,274	153,168
Fund Balance, July 1	450,875	450,875	—
Fund Balance, June 30	$ 318,981	$ 472,149	$ 153,168

See Notes to the Financial Statements.

Balance Sheet Schedule—Budgetary Basis
General Fund

June 30, 1988

(Dollars in Thousands)

	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$ 426,679	$ 425,625
Petty Cash and Travel Advances	3,879	4,010
Taxes, Loans, Accounts, and Other Receivables (Net)	689	518
Interfund Receivables	23,809	26
Loans Receivable from Proprietary Funds	20,495	21,933
Loans Receivable from Virginia Resources Authority	—	547
Total Assets	$ 475,551	$ 452,659
Liabilities and Fund Balance		
Liabilities:		
Deposits Pending Distribution	$ 129	$ 1,416
Due to Other Funds	2,907	—
Deferred Revenue	366	368
Total Liabilities	3,402	1,784
Fund Balance:		
Reserved	20,495	22,480
Unreserved:		
Designated	330,461	290,434
Undesignated	121,193	137,961
Total Fund Balance	472,149	450,875
Total Liabilities and Fund Balance	$ 475,551	$ 452,659

See Notes to the Financial Statements.

Analysis of General Fund Balance—Budgetary Basis

June 30, 1988

(Dollars in Thousands)

Fund Balance, June 30, 1988		$ 472,149	
Reserved for Long-Term Working Capital Advances to Internal Service Funds	$ 3,625		
Reserved for Long-Term Loan to the Department of Alcoholic Beverage Control	5,000		
Reserved for Long-Term Loan to the Department of General Services	11,870		
Total Reserved Fund Balance		20,495	
Unreserved Fund Balance, June 30, 1988			$ 451,654
Amount Required for Reappropriation of 1988 Unexpended Balances:			
Operating		17,542	
Capital Outlay		125,521	
Amount Required by Chapter 800, 1988 Acts of Assembly		187,398	
Total Designations			330,461
Balance Available for Appropriation			$ 121,193

NOTE: The balance available for appropriation, $121.2 million, includes an amount by which Virginia's individual income tax revenues, because of federal tax reform, exceed the Governor's latest official estimate of such revenues in fiscal year 1987–88. When finally determined, this amount will be transferred in accordance with Ch. 9, 1987, Va. Acts 13, 19, to a special nonreverting fund called the "Individual Income Tax Transition Fund," for future appropriation by the General Assembly.

See Notes to the Financial Statements.

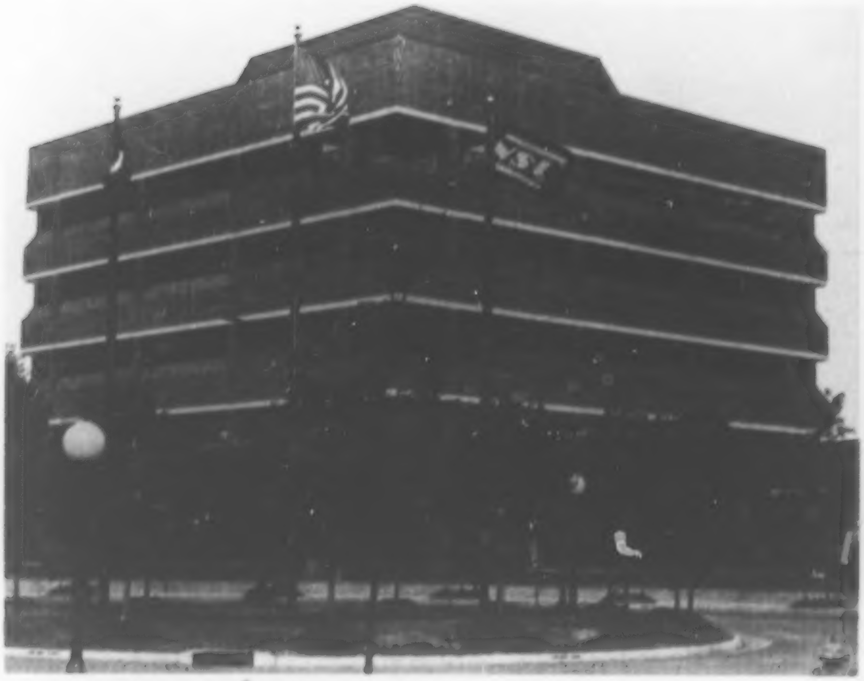
Comparison of Sum-Sufficient Estimated Appropriations With Actual Expenditures—Budgetary Basis—General Fund

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Estimated Appropriations	Actual Expenditures	Amount Under (Over) Estimate
Enactment of Laws	$ 13,440	$ 12,560	$ 880
Financial Assistance to Localities — from Sale of Alcoholic Beverages	27,533	27,034	499
Financial Assistance for Special State Revenue Sharing (Sales Tax)	399,400	397,174	2,226
Financial Assistance to Localities (General)	451	454	(3)
Social Security Benefits (Local)	114,492	114,443	49
Group Life Insurance (Local)	4,535	4,533	2
Totals	$ 559,851	$ 556,198	$ 3,653

See Notes to the Financial Statements.



The Harrison B. Wilson Hall Administration Building, named for the current President of 14 years, is the newest building on the campus of Norfolk State University. The 122 acre campus houses 22 buildings and NSU is breaking ground to begin work on the 23rd, which is expected to be finished by August, 1989.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth. The 101 individual Special Revenue Funds of the Commonwealth are combined on a functional basis based on type of activity in accordance with Section 2600 of the GASB Codification.

Highway Maintenance and Construction Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction and related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the federal government.

Administration Funds account for revenues and expenditures associated with the recovery of indirect costs and insurance, and miscellaneous general government activities.

Human Resources Funds account for revenues and expenditures associated with local health care assistance, substance abuse, and the care of those who are mentally and physically handicapped.

Transportation and Public Safety Funds account for revenues and expenditures related to aviation, marine terminals, and the promotion of public safety.

The Federal Fund accounts for all federal monies received by the Commonwealth except those received by the Highway Maintenance and Construction Fund, the Unemployment Compensation Trust Fund, and institutions of Higher Education.

Economic Development Funds account for revenues and expenditures related to business and agricultural activities throughout the Commonwealth.

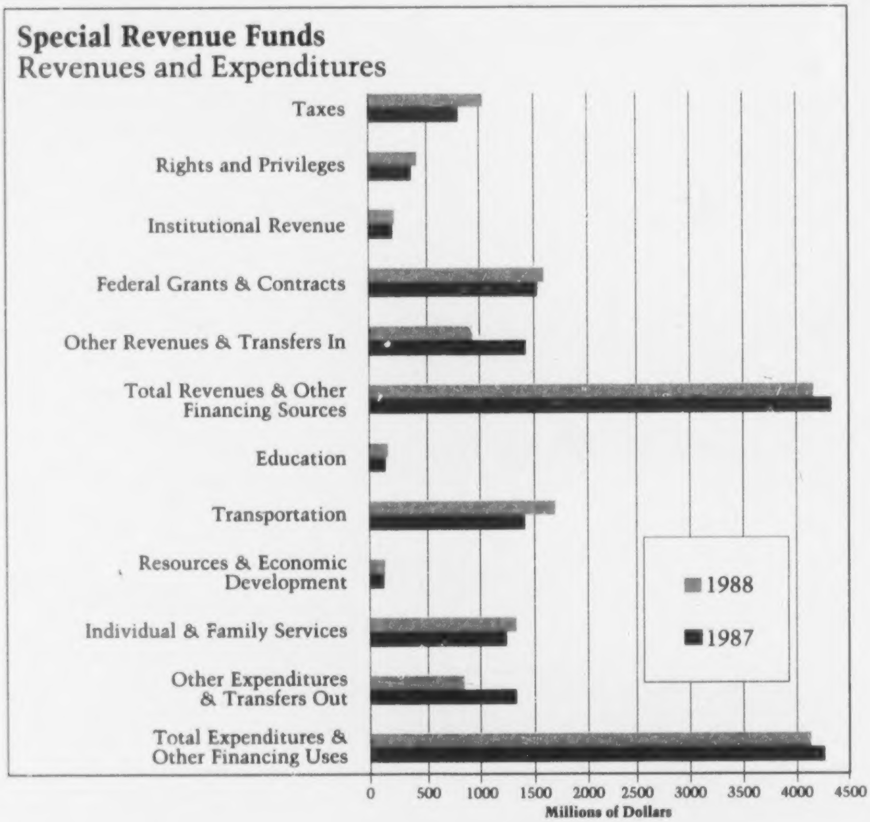
Natural Resources Funds account for revenues and expenditures associated with activities aimed at improving and protecting the environment.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovation, and expansion of school buildings.

Analysis

The graph presented below provides a breakdown of revenues and other sources and expenditures and other uses of the Special Revenue Funds for the years ended June 30, 1988, and June 30, 1987, on the modified accrual basis of accounting. Total revenues and other sources exceeded total expenditures and other uses by $53 million.

Revenues and other sources increased primarily as a result of increases of $233 million in taxes due to the additional 1/2% sales tax taking full effect. These increases were offset by increases in expenditures and other uses of $250 million in transportation, $102 million in individual and family services, and $24 million in education.



Special Revenue Funds
Revenues and Expenditures

Combining Balance Sheet
Special Revenue Funds

June 30, 1988

(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Administration Fund	Economic Development Fund	Human Resources Fund
Assets					
Cash and Cash Equivalents	$ 321,628	$ 19,488	$ 533	$ 3,463	$ 21
Petty Cash and Travel Advances	1,000	68	—	79	223
Taxes, Loans, Accounts, and Other Receivables (Net)	41,209	55,977	81	7,213	24,594
Due from Other Funds	—	—	—	—	—
Interfund Receivables	—	—	1,401	3,532	10,879
Loans Receivable from Proprietary Funds	—	—	—	—	—
Investments	2,989	—	—	—	—
Prepaid Expenses	4,804	—	—	—	5,543
Total Assets	$ 371,630	$ 75,533	$ 2,015	$ 14,287	$ 41,260
Liabilities and Fund Balance					
Liabilities:					
Accounts Payable	$ 99,016	$ 74,934	$ 43	$ 1,104	$ 4,084
Amounts Due to Other Governments	29,356	—	—	—	—
Deposits Pending Distribution	1,729	—	9	—	15
Due to Other Funds	1,012	—	—	71	428
Interfund Payables	—	—	—	—	—
Deferred Revenue	434	589	136	—	—
Accrued Liability for Compensated Absences	74	10	—	2	45
Total Liabilities	131,621	75,533	188	1,177	4,572
Fund Balance:					
Reserved for Loans	—	—	—	—	—
Unreserved:					
Undesignated	322,466	—	1,789	35,454	21,050
Fund Balance—Budgetary Basis	322,466	—	1,789	35,454	21,050
Adjustments from Budget to GAAP	(82,457)	—	38	(22,344)	15,638
Total Fund Balance	240,009	—	1,827	13,110	36,688
Total Liabilities and Fund Balance	$ 371,630	$ 75,533	$ 2,015	$ 14,287	$ 41,260

See Notes to the Financial Statements.

Natural Resources Fund	Transportation and Public Safety Fund	Literary Fund	Totals	
			June 30, 1988	June 30, 1987
$ 17,664	$ 15,524	$ 35,023	$ **413,344**	$ 401,140
86	92	—	**1,548**	1,377
2,166	972	64,414	**196,626**	226,205
—	—	2	**2**	—
555	5,896	—	**22,263**	43,280
—	—	253,365	**253,365**	242,894
—	—	—	**2,989**	—
—	—	—	**10,347**	—
$ 20,471	$ 22,484	$ 352,804	$ **900,484**	$ 914,896
$ 1,041	$ 4,119	$ —	$ **184,341**	$ 215,226
—	—	—	**29,356**	—
18	—	—	**1,771**	7,106
—	87	—	**1,598**	21,868
—	—	—	**—**	26,014
502	—	—	**1,661**	16,226
5	5	—	**141**	182
1,566	4,211	—	**218,868**	286,622
—	—	253,365	**253,365**	242,894
18,551	21,425	98,991	**519,726**	435,623
18,551	21,425	352,356	**773,091**	678,517
354	(3,152)	448	**(91,475)**	(50,243)
18,905	18,273	352,804	**681,616**	628,274
$ 20,471	$ 22,484	$ 352,804	$ **900,484**	$ 914,896

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Special Revenue Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Highway Maintenance and Construction Fund	Federal Fund	Administration Fund	Economic Development Fund	Human Resources Fund
Revenues:					
Taxes	$ 995,266	$ —	$ —	$ 8,733	$ 2,396
Rights and Privileges	281,987	334	327	18,796	27,192
Assessments and Receipts for Support of Special Services	7,052	—	100	19,013	344
Institutional Revenue	3	40	142	—	201,322
Interest, Dividends, and Rents	10,827	1,584	117	367	325
Fines, Forfeitures, Court Fees, Penalties, and Escheats	3,689	610	—	1,523	1,632
Federal Grants and Contracts	377,499	1,199,840	—	—	1,403
Revenues from Cities, Counties, and Towns	29,629	33	—	—	42,289
Private Donations, Gifts, and Contracts	—	—	—	—	447
Other	10,056	9,812	1,560	198	18,342
Total Revenues	1,716,008	1,212,253	2,246	48,630	295,692
Expenditures:					
Current:					
General Government	33,142	9,514	796	811	4,233
Education	2,479	134,668	137	—	36,894
Transportation	1,573,667	3,148	17	5,264	6,600
Resources and Economic Development	1,169	54,354	380	28,558	11,041
Individual and Family Services	—	1,017,371	708	1,861	268,595
Administration of Justice	1,697	6,467	191	—	3,305
Capital Projects	11,811	1,968	81	478	2,768
Total Expenditures	1,623,965	1,227,490	2,310	36,972	333,436
Revenues Over (Under) Expenditures	92,043	(15,237)	(64)	11,658	(37,744)
Other Financing Sources (Uses):					
Transfers:					
Operating Transfers In	496,838	46,992	857	976	112,536
Operating Transfers Out	(528,297)	(30,902)	(1,245)	(30,777)	(76,889)
Appropriations Act	(6,837)	(853)	(394)	(761)	(949)
Proceeds from Capital Leases	—	—	—	—	136
Total Other Financing Sources (Uses)	(38,296)	15,237	(782)	(30,562)	34,834
Revenues and Other Sources Over (Under) Expenditures and Other Uses	53,747	—	(846)	(18,904)	(2,910)
Fund Balance, July 1, as adjusted	186,262	—	2,673	32,014	39,598
Fund Balance, June 30	$ 240,009	$ —	$ 1,827	$ 13,110	$ 36,688

See Notes to the Financial Statements.

Natural Resources Fund	Transportation and Public Safety Fund	Literary Fund	Totals	
			June 30, 1988	June 30, 1987
$ 1,589	$ 15,949	$ —	**$ 1,023,933**	$ 790,721
27,428	74,395	—	**430,459**	389,930
4,829	—	—	**31,338**	27,402
27	—	—	**201,534**	194,389
98	543	6,015	**19,876**	17,727
157	1,267	28,253	**37,131**	36,404
—	—	—	**1,578,742**	1,534,881
—	—	—	**71,951**	89,672
394	—	—	**841**	1,684
1,261	6,708	10,652	**58,589**	48,728
35,783	98,862	44,920	**3,454,394**	3,131,538
—	7,222	—	**55,718**	52,788
—	—	804	**174,982**	150,812
898	79,230	—	**1,668,824**	1,418,659
32,780	1,687	—	**129,969**	123,217
4,236	—	—	**1,292,771**	1,191,048
—	563	—	**12,223**	10,513
781	8,217	—	**26,104**	21,493
38,695	96,919	804	**3,360,591**	2,968,530
(2,912)	1,943	44,116	**93,803**	163,008
1,407	6,848	34,557	**701,011**	1,192,602
(717)	(2,207)	(60,462)	**(731,496)**	(1,229,226)
(377)	(214)	—	**(10,385)**	(12,210)
—	273	—	**409**	53
313	4,700	(25,905)	**(40,461)**	(48,781)
(2,599)	6,643	18,211	**53,342**	114,227
21,504	11,630	334,593	**628,274**	514,047
$ 18,905	$ 18,273	$ 352,804	**$ 681,616**	$ 628,274

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual—Budgetary Basis Special Revenue Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Highway Maintenance and Construction Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	$ 1,068,152	$ 993,757	$ (74,395)
Rights and Privileges	203,029	283,300	80,271
Assessments and Receipts for Support of Special Services	4,225	7,051	2,826
Institutional Revenue	—	3	3
Interest, Dividends, and Rents	12,200	10,827	(1,373)
Fines, Forfeitures, Court Fees, Penalties, and Escheats	—	3,690	3,690
Federal Grants and Contracts	336,964	396,220	59,256
Revenues from Cities, Counties, and Towns	21,500	40,123	18,623
Private Donations, Gifts, and Contracts	—	—	—
Other	—	4,041	4,041
Total Revenues	1,646,070	1,739,012	92,942
Expenditures:			
Current:			
General Government	33,873	33,435	438
Education	2,516	2,400	116
Transportation	1,825,120	1,586,074	239,046
Resources and Economic Development	1,398	1,269	129
Individual and Family Services	—	—	—
Administration of Justice	2,045	1,697	348
Capital Projects	10,294	10,294	—
Total Expenditures	1,875,246	1,635,169	240,077
Revenues Over (Under) Expenditures	(229,176)	103,843	333,019
Other Financing Sources (Uses):			
Transfers:			
Operating Transfers In	—	496,838	496,838
Operating Transfers Out	—	(528,297)	(528,297)
Appropriations Act	(7,101)	(6,837)	264
Total Other Financing Sources (Uses)	(7,101)	(38,296)	(31,195)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	(236,277)	65,547	301,824
Fund Balance, July 1, as adjusted	256,919	256,919	—
Fund Balance, June 30	$ 20,642	$ 322,466	$ 301,824

See Notes to the Financial Statements.

Federal Fund			Administration Funds			Economic Development Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ 7,490	$ 8,843	$ 1,353
—	334	334	625	428	(197)	27,655	19,058	(8,597)
—	—	—	—	100	100	9,921	19,302	9,381
—	—	—	152	142	(10)	—	—	—
—	—	—	—	115	115	713	375	(338)
—	—	—	—	—	—	1,023	1,322	299
1,358,213	1,158,957	(199,256)	—	—	—	—	—	—
—	33	33	—	—	—	—	—	—
7	—	(7)	—	—	—	—	—	—
2,421	9,939	7,518	2,376	2,145	(231)	1,369	384	(985)
1,360,641	1,169,263	(191,378)	3,153	2,930	(223)	48,171	49,284	1,113
30,734	9,445	21,289	1,082	762	320	965	824	141
211,803	133,753	78,050	332	137	195	—	—	—
3,431	3,131	300	14	14	—	5,480	5,267	213
73,130	54,265	18,865	488	380	108	33,309	28,267	5,042
1,023,199	950,782	72,417	722	708	14	2,439	1,975	464
15,544	6,674	8,870	312	191	121	—	—	—
1,947	1,947	—	81	81	—	107	107	—
1,359,788	1,159,997	199,791	3,031	2,273	758	42,300	36,440	5,860
853	9,266	8,413	122	657	535	5,871	12,844	6,973
—	173,003	173,003	—	857	857	—	976	976
—	(181,416)	(181,416)	—	(1,245)	(1,245)	—	(8,975)	(8,975)
(853)	(853)	—	(723)	(394)	329	(2,020)	(762)	1,258
(853)	(9,266)	(8,413)	(723)	(782)	(59)	(2,020)	(8,761)	(6,741)
—	—	—	(601)	(125)	476	3,851	4,083	232
—	—	—	1,914	1,914	—	31,371	31,371	—
$ —	$ —	$ —	$ 1,313	$ 1,789	$ 476	$ 35,222	$ 35,454	$ 232

(Continued next page)

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual—Budgetary Basis
Special Revenue Funds

(Continued from previous page)

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Human Resources Fund			Natural Resources Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	$ 1,983	$ 2,217	$ 234	$ 1,658	$ 1,569	$ (89)
Rights and Privileges	35,135	27,643	(7,492)	25,268	27,270	2,002
Assessments and Receipts for Support of Special Services	5,832	301	(5,531)	5,769	4,824	(945)
Institutional Revenue	206,889	205,376	(1,513)	—	27	27
Interest, Dividends, and Rents	566	304	(262)	31	96	65
Fines, Forfeitures, Court Fees, Penalties, and Escheats	619	1,528	909	95	157	62
Federal Grants and Contracts	924	903	(21)	—	—	—
Revenues from Cities, Counties, and Towns	37,204	42,069	4,865	—	—	—
Private Donations, Gifts, and Contracts	213	447	234	943	458	(485)
Other	143,917	98,632	(45,285)	1,436	1,301	(135)
Total Revenues	433,282	379,420	(53,862)	35,200	35,702	502
Expenditures:						
Current:						
General Government	4,555	2,304	2,251	—	—	—
Education	38,242	36,936	1,306	—	—	—
Transportation	6,855	6,640	215	926	893	33
Resources and Economic Development	13,213	11,110	2,103	36,658	32,696	3,962
Individual and Family Services	361,859	349,114	12,745	4,358	4,239	119
Administration of Justice	4,463	3,309	1,154	—	—	—
Capital Projects	2,629	2,629	—	750	750	—
Total Expenditures	431,816	412,042	19,774	42,692	38,578	4,114
Revenues Over (Under) Expenditures	1,466	(32,622)	(34,088)	(7,492)	(2,876)	4,616
Other Financing Sources (Uses):						
Transfers:						
Operating Transfers In	—	112,837	112,837	—	1,407	1,407
Operating Transfers Out	—	(76,889)	(76,889)	—	(717)	(717)
Appropriations Act	(949)	(949)	—	(377)	(377)	—
Total Other Financing Sources (Uses)	(949)	34,999	35,948	(377)	313	690
Revenues and Other Sources Over (Under) Expenditures and Other Uses	517	2,377	1,860	(7,869)	(2,563)	5,306
Fund Balance, July 1	18,673	18,673	—	21,114	21,114	—
Fund Balance, June 30	$ 19,190	$ 21,050	$ 1,860	$ 13,245	$ 18,551	$ 5,306

See Notes to the Financial Statements.

Transportation and Public Safety Fund			Literary Fund			Total Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ 15,518	$ 16,108	$ 590	$ —	$ —	$ —	$ 1,094,801	$ 1,022,494	$ (72,307)
76,479	73,984	(2,495)	—	—	—	368,191	432,017	63,826
—	—	—	—	—	—	25,747	31,578	5,831
—	—	—	—	—	—	207,041	205,548	(1,493)
352	562	210	2,000	6,013	4,013	15,862	18,292	2,430
1,128	1,266	138	23,000	27,807	4,807	25,865	35,770	9,905
—	—	—	—	—	—	1,696,101	1,556,080	(140,021)
10	—	(10)	—	—	—	58,714	82,225	23,511
—	—	—	—	—	—	1,163	905	(258)
1,083	6,703	5,620	9,600	10,652	1,052	162,202	133,797	(28,405)
94,570	98,623	4,053	34,600	44,472	9,872	3,655,687	3,518,706	(136,981)
7,323	7,175	148	—	—	—	78,532	53,945	24,587
5	—	5	—	804	(804)	252,898	174,030	78,868
82,521	78,466	4,055	—	—	—	1,924,347	1,680,485	243,862
1,915	1,488	427	—	—	—	160,111	129,475	30,636
—	—	—	—	—	—	1,392,577	1,306,818	85,759
560	560	—	—	—	—	22,924	12,431	10,493
7,874	7,874	—	—	—	—	23,682	23,682	—
100,198	95,563	4,635	—	804	(804)	3,855,071	3,380,866	474,205
(5,628)	3,060	8,688	34,600	43,668	9,068	(199,384)	137,840	337,224
—	6,853	6,853	26,100	34,557	8,457	26,100	827,328	801,228
—	(2,207)	(2,207)	(28,300)	(60,462)	(32,162)	(28,300)	(860,208)	(831,908)
(214)	(214)	—	—	—	—	(12,237)	(10,386)	1,851
(214)	4,432	4,646	(2,200)	(25,905)	(23,705)	(14,437)	(43,266)	(28,829)
(5,842)	7,492	13,334	32,400	17,763	(14,637)	(213,821)	94,574	308,395
13,933	13,933	—	334,593	334,593	—	678,517	678,517	—
$ 8,091	$ 21,425	$ 13,334	$ 366,993	$ 352,356	$ (14,637)	$ 464,696	$ 773,091	$ 308,395

Debt Service Fund

The Debt Service Fund accounts for resources accumulated and used for the payment of interest and principal on general long-term debt.

Analysis

For the current year, retirement of general obligation bonds and retirement of general long-term debt not backed by the full faith and credit of the Commonwealth totaled $22.0 million. Resources to pay principal and interest on all types of general long-term debt primarily came from transfers from the General Fund and income associated with Revenue Bond Capital Projects.

Balance Sheet
Debt Service Fund

June 30, 1988
(Dollars in Thousands)

	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$ 12,466	$ 9,570
Cash and Investments with Trustees	31,418	34,613
Investments	15,186	—
Other Assets	372	372
Total Assets	$ 59,442	$ 44,555
Liabilities and Fund Balance		
Liabilities:		
Matured Interest Payable	$ 5,813	$ 5,439
Matured Debt Payable	3,992	577
Total Liabilities	9,805	6,016
Fund Balance:		
Reserved for Debt Service	49,637	38,539
Total Fund Balance	49,637	38,539
Total Liabilities and Fund Balance	$ 59,442	$ 44,555

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Debt Service Fund

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Year Ended	
	June 30, 1988	June 30, 1987
Revenues:		
Interest, Dividends, and Rents	$ 5,213	$ 13,266
Total Revenues	5,213	13,266
Expenditures:		
Debt Service:		
Principal Retirement	21,976	17,169
Interest and Charges	19,660	42,175
Total Expenditures	41,636	59,344
Revenues Over (Under) Expenditures	(36,423)	(46,078)
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	33,657	46,049
Operating Transfers Out	—	—
Proceeds from Sale of Bonds	13,864	—
Proceeds of Refunding Bonds	—	157,855
Payment to Refunded Bond Escrow Agent	—	(144,395)
Total Other Financing Sources (Uses)	47,521	59,509
Revenues and Other Sources Over (Under) Expenditures and Other Uses	11,098	13,431
Fund Balance, July 1, as adjusted	38,539	25,108
Fund Balance, June 30	$ 49,637	$ 38,539

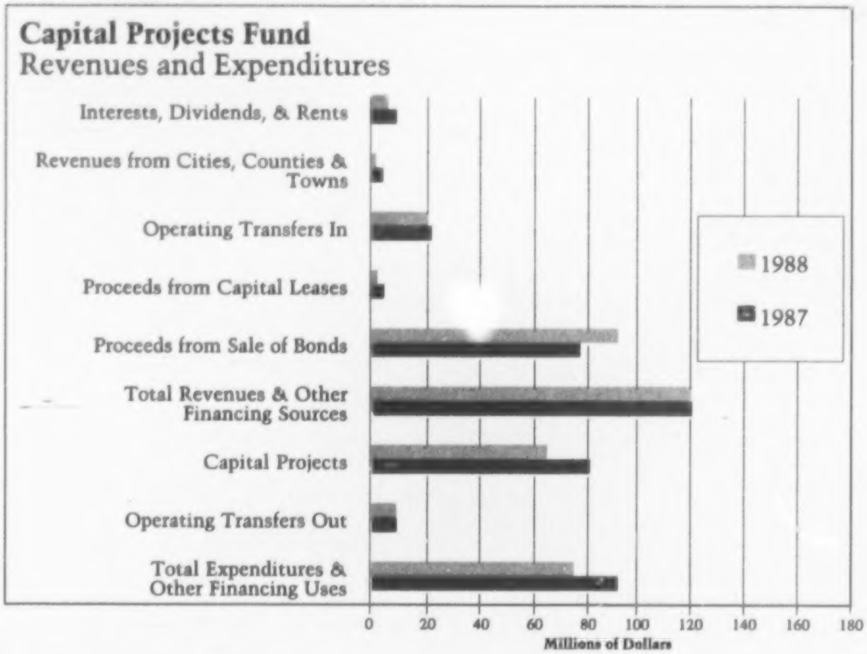
See Notes to the Financial Statements.

Capital Projects Fund

The Capital Projects Fund accounts for the acquisition, construction, and improvement of governmental general fixed assets.

Analysis

Revenues and other sources totaled $120 million, showing a decrease of 0.6% from 1987. Expenditures and other uses of $75 million decreased by 16.9% from 1987. The net effect of revenues and other sources over expenditures and other uses was an increase of $45 million in fund balance. The increase is primarily attributed to proceeds from the sale of bonds by the Virginia Port Authority.



Capital Projects Fund
Revenues and Expenditures

Balance Sheet
Capital Projects Fund

June 30, 1988
(Dollars in Thousands)

	June 30, 1988	June 30, 1987
Assets		
Cash and Cash Equivalents	$118,953	$ 32,783
Cash and Investments with Trustees	19,848	20,225
Investments	24,873	43,107
Total Assets	$163,674	$ 96,115
Liabilities and Fund Balance		
Liabilities:		
Accounts Payable	$ 1,799	$ 4,260
Interfund Payables	24,965	—
Accrued Liability for Compensated Absences	10	—
Total Liabilities	26,774	4,260
Fund Balance:		
Unreserved:		
Designated for Capital Construction	136,900	91,855
Total Fund Balance	136,900	91,855
Total Liabilities and Fund Balances	$163,674	$ 96,115

See Notes to the Financial Statements.

Statement of Revenues, Expenditures, and Changes in Fund Balance Capital Projects Fund

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Year Ended	
	June 30, 1988	June 30, 1987
Revenues:		
Interest, Dividends, and Rents	$ 7,200	$ 9,643
Revenues From Cities, Counties, and Towns	—	6,367
Other	87	—
Total Revenues	7,287	16,010
Expenditures:		
Capital Projects	65,607	80,825
Total Expenditures	65,607	80,825
Revenues Over (Under) Expenditures	(58,320)	(64,815)
Other Financing Sources (Uses):		
Transfers:		
Operating Transfers In	19,500	19,367
Operating Transfers Out	(9,217)	(9,259)
Proceeds from Capital Leases	826	7,224
Proceeds from Sale of Bonds	92,256	78,000
Total Other Financing Sources (Uses)	103,365	95,332
Revenues and Other Sources Over (Under) Expenditures and Other Uses	45,045	30,517
Fund Balance, July 1	91,855	61,338
Fund Balance, June 30	$ 136,900	$ 91,855

Enterprise Funds—State

The Enterprise Funds—State account for State operations that are financed and operated in a manner similar to private business enterprises. It is the State's intent that the cost of providing such goods or services will be recovered through user charges.

The Department of Alcoholic Beverage Control operates facilities for the distribution and sale of distilled spirits and wine.

The Virginia Industries for the Blind manufactures products for sale to governments, certain private organizations, and the general public.

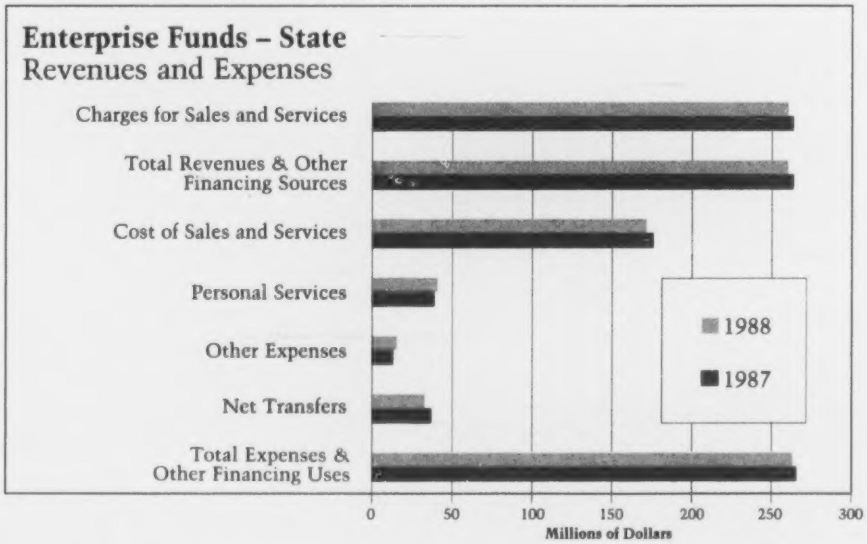
The Virginia Museum of Fine Arts operates gift shop and food services activities.

The Division of Legislative Services accounts for sales of the *Virginia Register*, a publication which lists all proposed and final state agency regulations.

The State Lottery Department accounts for the operations of the State Lottery.

Analysis

For fiscal year 1988, Enterprise Funds—State earned $261 million in revenues. Expenses for the same period came to $229 million. Net operating transfers, primarily legislatively mandated transfers to the General Fund from the Department of Alcoholic Beverage Control, and non-operating expenses, were $33 million.



Enterprise Funds – State
Revenues and Expenses

Enterprise Funds—Public Benefit Corporations

The Enterprise Funds—Public Benefit Corporations are those public corporations empowered by the* Code of Virginia *to provide certain services to the citizens of Virginia, but which are not agencies of the State. While these organizations are not State agencies, generally accepted accounting principles require that they be included as part of the Commonwealth's financial reporting entity. These organizations receive no tax monies from the State, nor is their debt a liability of the State. The Commonwealth, however, does transact with the Virginia International Terminals, Inc. and the Virginia Public School Authority throughout the year.

Virginia Housing Development Authority (VHDA) has the authority to finance housing sold or rented to families with low and moderate incomes. Funds are raised through the sale of tax-exempt notes and bonds.

Virginia Resources Authority (VRA) is responsible for encouraging the investment of both public and private funds in the water and sewer projects of local governments. **VRA** also makes loans and grants available to local governments to finance these projects.

State Education Assistance Authority (SEAA) guarantees student loans provided to residents by financial institutions of the Commonwealth through a program administered by the federal government.

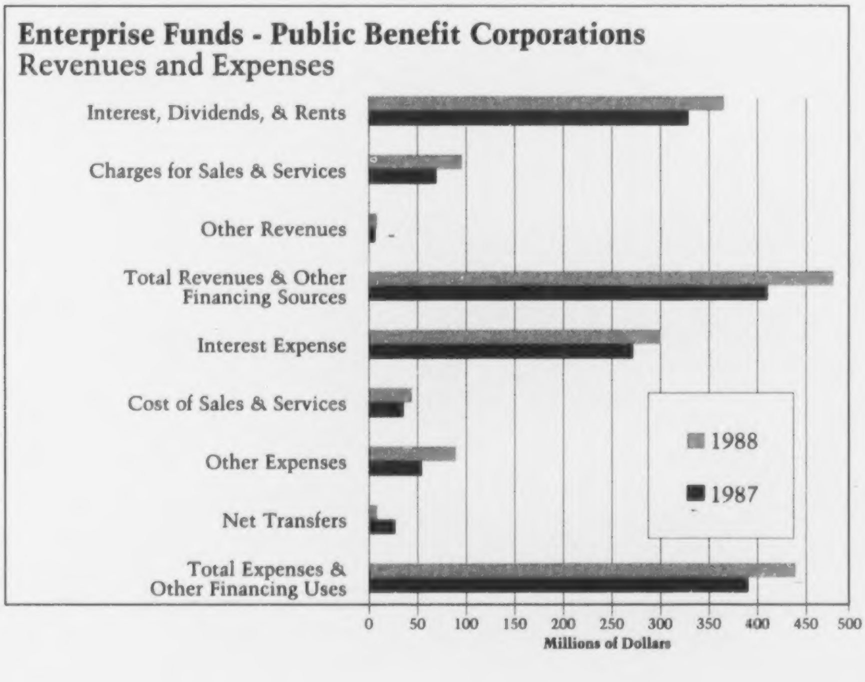
Virginia Education Loan Authority (VELA) assists students in obtaining loans to attend college.

Virginia International Terminals, Inc. (VIT) was formed on January 1, 1982, for the purpose of operating marine terminals in Norfolk and Newport News for the **Virginia Port Authority**. In 1983, **VIT** was also given the right to operate terminals in Portsmouth.

Virginia Public School Authority (VPSA) is empowered to issue bonds to finance capital projects of schools of the cities, counties, and towns of the Commonwealth.

Analysis

At year end, Public Benefit Corporations had total assets of $4.7 billion, comprised primarily of loans and accounts receivable and investments. Revenues for the year totaled $462 million while expenses, net operating transfers, and loss on debt defeasance came to $436 million, yielding net income of $26 million. This represented a decrease in net income of 33.2% over fiscal year 1987.


Enterprise Funds - Public Benefit Corporations
Revenues and Expenses

Combining Balance Sheet
Enterprise Funds—State and Public Benefit Corporations

June 30, 1988

(Dollars in Thousands)

	Enterprise-State					Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	State Lottery Department	
Assets						
Cash and Cash Equivalents	$ 1,098	$ 1,229	$ 406	$ 5	$ 4,600	$ 7,338
Cash and Investments with Trustees	—	—	—	—	—	—
Petty Cash and Travel Advances	—	1	5	—	2	8
Taxes, Loans, Accounts, and Other Receivables (Net)	1,260	336	72	7	—	1,675
Investments	—	—	—	—	—	—
Inventory	24,731	835	241	—	—	25,807
Restricted Assets	—	—	—	—	—	—
Prepaid Expenses	13	1	—	—	—	14
Property, Plant, and Equipment (Net)	8,649	772	5	—	6	9,432
Systems Development Costs (Net)	—	—	—	—	—	—
Unamortized Bond Issuance Expense	—	—	—	—	—	—
Total Assets	$ 35,751	$ 3,174	$ 729	$ 12	$ 4,608	$ 44,274
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable	$ 5,857	$ 196	$ 8	$ 5	$ 160	$ 6,226
Amounts Due to Other Governments	—	—	—	—	—	—
Accrued Interest Payable	—	—	—	—	—	—
Notes Payable	—	—	—	—	—	—
Other Liabilities	—	—	7	—	—	7
Due to Other Funds	6,183	—	—	—	—	6,183
Interfund Payables	7,342	—	—	—	5,000	12,342
Loans Payable	5,000	—	—	—	—	5,000
Deferred Revenue	887	—	—	—	—	887
Matured Debt Payable	—	—	—	—	—	—
Bonds Payable	—	—	—	—	—	—
Due to Program Participants, Escrows, and Providers	—	—	—	—	—	—
Capital Lease Obligations	569	—	—	—	—	569
Accrued Liability for Compensated Absences	4,439	98	9	—	18	4,564
Total Liabilities	30,277	294	24	5	5,178	35,778
Fund Equity:						
Contributed Capital	—	1,516	—	—	—	1,516
Retained Earnings	5,474	1,364	705	7	(570)	6,980
Total Fund Equity	5,474	2,880	705	7	(570)	8,496
Total Liabilities and Fund Equity	$ 35,751	$ 3,174	$ 729	$ 12	$ 4,608	$ 44,274

See Notes to the Financial Statements.

Enterprise-Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		**June 30, 1988**	**June 30, 1987**
$ 527,903	$ 119,026	$ 7,709	$ 19,260	$ 838	$ 28,974	$ 703,710	**$ 711,048**	$ 785,617
—	—	—	—	—	—	—	**—**	1,538
—	—	—	—	—	—	—	**8**	6
2,154,438	372,585	10,582	89,938	3,470	241,732	2,872,745	**2,874,420**	2,522,322
542,752	17,249	—	74,603	36,729	403,770	1,075,103	**1,075,103**	949,450
2,839	—	2,241	—	—	—	5,080	**30,887**	33,225
—	—	1,361	—	—	—	1,361	**1,361**	—
—	63	693	66	—	—	822	**836**	1,456
14,268	6,676	5,333	17	477	—	26,771	**36,203**	25,344
—	404	—	—	—	—	404	**404**	443
3,630	3,433	—	—	—	—	7,063	**7,063**	8,065
$ 3,245,830	$ 519,436	$ 27,919	$ 183,884	$ 41,514	$ 674,476	$ 4,693,059	**$ 4,737,333**	$ 4,327,466
$ 25,798	$ 500	$ 1,708	$ 148	$ 2,321	$ 215	$ 30,690	**$ 36,916**	$ 33,249
—	—	—	—	20,842	—	20,842	**20,842**	—
63,826	6,728	—	1,646	—	13,428	85,628	**85,628**	76,998
649	135,922	—	5	—	—	136,576	**136,576**	103,919
—	—	4,419	939	—	199	5,557	**5,564**	5,371
—	—	—	—	—	—	—	**6,183**	6,974
—	—	—	—	—	—	—	**12,342**	8,580
—	—	—	—	—	253,365	253,365	**258,365**	248,894
8,456	—	—	2,250	5,332	—	16,038	**16,925**	9,519
—	—	—	—	—	475	475	**475**	1,410
2,784,410	296,128	—	154,655	—	408,375	3,643,568	**3,643,568**	3,370,033
63,348	—	1,197	—	—	—	64,545	**64,545**	50,226
—	—	—	—	—	—	—	**569**	693
522	—	1,290	—	78	—	1,890	**6,454**	5,906
2,947,009	439,278	8,614	159,643	28,573	676,057	4,259,174	**4,294,952**	3,921,772
—	—	2,732	20,400	—	—	23,132	**24,648**	13,492
298,821	80,158	16,573	3,841	12,941	(1,581)	410,753	**417,733**	392,202
298,821	80,158	19,305	24,241	12,941	(1,581)	433,885	**442,381**	405,694
$ 3,245,830	$ 519,436	$ 27,919	$ 183,884	$ 41,514	$ 674,476	$ 4,693,059	**$ 4,737,333**	$ 4,327,466

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Enterprise Funds—State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Enterprise-State					Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	State Lottery Department	
Operating Revenues:						
Interest, Dividends, and Rents	$ —	$ —	$ —	$ —	$ —	$ —
Special Allowance Income	—	—	—	—	—	—
Charges for Sales and Services	255,875	3,329	2,088	58	103	261,453
Other	—	—	—	—	—	—
Total Operating Revenues	255,875	3,329	2,088	58	103	261,453
Operating Expenses:						
Interest Expense	—	—	—	—	—	—
Cost of Sales and Services	169,906	—	1,365	—	—	171,271
Personal Services	38,289	1,714	509	—	164	40,676
Contractual Services	4,165	177	—	51	468	4,861
Supplies and Materials	772	2,154	70	—	10	3,006
Grants and Distributions to Localities	—	63	—	—	—	63
Expendable Equipment	240	19	25	—	16	300
Depreciation	1,489	24	5	—	—	1,518
Amortization	—	—	—	—	—	—
Rent, Insurance, and Other Related Charges	5,842	67	46	—	15	5,970
Other	1,014	—	—	—	—	1,014
Total Operating Expenses	221,717	4,218	2,020	51	673	228,679
Operating Income (Loss)	34,158	(889)	68	7	(570)	32,774
Nonoperating Revenues (Expenses):						
Net Gain (Loss) on Sale of Investments	—	—	—	—	—	—
Interest, Dividends, and Rents	10	—	14	—	—	24
Gain (Loss) on Sale of Fixed Assets	(20)	—	—	—	—	(20)
Grants and Shared Revenues	—	149	—	—	—	149
Other	152	—	—	—	—	152
Total Nonoperating Revenues (Expenses)	142	149	14	—	—	305
Income (Loss) Before Transfers	34,300	(740)	82	7	(570)	33,079
Transfers:						
Operating Transfers In	—	—	—	—	—	—
Operating Transfers Out	—	—	—	—	—	—
ABC Profit	(25,897)	—	—	—	—	(25,897)
Appropriations Act	(7,295)	—	—	—	—	(7,295)
Total Transfers	(33,192)	—	—	—	—	(33,192)
Net Income (Loss) Before Extraordinary Items	1,108	(740)	82	7	(570)	(113)
Extraordinary Items:						
Loss on Debt Defeasance	—	—	—	—	—	—
Loss on Federal Recovery of Excess Reserves	—	—	—	—	—	—
Total Extraordinary Items	—	—	—	—	—	—
Net Income (Loss)	1,108	(740)	82	7	(570)	(113)
Retained Earnings, July 1, as adjusted	4,366	2,104	623	—	—	7,093
Retained Earnings, June 30	$ 5,474	$ 1,364	$ 705	$ 7	$ (570)	$ 6,980

See Notes to the Financial Statements.

Enterprise-Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		June 30, 1988	June 30, 1987
$ 275,356	$ 41,545	$ —	$ 13,722	$ 2,477	$ 30,676	$ 363,776	**$ 363,776**	$ 328,174
—	6,164	—	—	—	—	6,164	**6,164**	5,645
2,661	—	57,205	—	29,795	—	89,661	**351,114**	330,988
1,034	16	—	—	—	—	1,050	**1,050**	754
279,051	47,725	57,205	13,722	32,272	30,676	460,651	**722,104**	665,561
227,971	37,094	—	11,138	—	21,382	297,585	**297,585**	270,563
7,235	—	35,876	—	—	—	43,111	**214,382**	210,606
6,468	2,630	10,461	141	1,302	—	21,002	**61,678**	55,905
—	—	2,911	344	25,487	652	29,394	**34,255**	30,775
—	—	1,270	—	228	—	1,498	**4,504**	3,624
—	—	—	—	—	—	—	**63**	60
—	—	62	—	310	—	372	**672**	342
62	463	1,109	8	—	—	1,642	**3,160**	3,180
—	1,328	—	—	—	—	1,328	**1,328**	1,443
—	—	2,217	—	121	—	2,338	**8,308**	5,123
1,884	2,314	—	98	12	38	4,346	**5,360**	7,261
243,620	43,829	53,906	11,729	27,460	22,072	402,616	**631,295**	588,882
35,431	3,896	3,299	1,993	4,812	8,604	58,035	**90,809**	76,679
—	—	—	1,126	—	—	1,126	**1,126**	186
—	—	—	—	—	—	—	**24**	(427)
—	—	—	—	—	—	—	**(20)**	(4)
—	—	—	—	—	—	—	**149**	2
—	—	—	—	—	—	—	**152**	230
—	—	—	1,126	—	—	1,126	**1,431**	(13)
35,431	3,896	3,299	3,119	4,812	8,604	59,161	**92,240**	76,666
—	—	—	—	—	—	—	**—**	54,379
—	—	—	—	—	(8,263)	(8,263)	**(8,263)**	(79,501)
—	—	—	—	—	—	—	**(25,897)**	(28,905)
—	—	—	—	—	—	—	**(7,295)**	(7,295)
—	—	—	—	—	(8,263)	(8,263)	**(41,455)**	(61,322)
35,431	3,896	3,299	3,119	4,812	341	50,898	**50,785**	15,344
—	—	—	(306)	—	(4,106)	(4,412)	**(4,412)**	—
—	—	—	—	(20,842)	—	(20,842)	**(20,842)**	—
—	—	—	(306)	(20,842)	(4,106)	(25,254)	**(25,254)**	—
35,431	3,896	3,299	2,813	(16,030)	(3,765)	25,644	**25,531**	15,344
263,390	76,262	13,274	1,028	28,971	2,184	385,109	**392,202**	376,858
$ 298,821	$ 80,158	$ 16,573	$ 3,841	$ 12,941	$ (1,581)	$ 410,753	**$ 417,733**	$ 392,202

Combining Statement of Changes in Financial Position Enterprise Funds–State and Public Benefit Corporations

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Enterprise-State					Subtotal
	Department of Alcoholic Beverage Control	Virginia Industries for the Blind	Virginia Museum of Fine Arts	Division of Legislative Services	State Lottery Department	
Sources of Working Capital:						
Operations:						
Net Income (Loss)	$ 1,108	$ (740)	$ 82	$ 7	$ (570)	$ (113)
Items Not Requiring Working Capital:						
Depreciation	1,489	24	5	—	—	1,518
Amortization	—	—	—	—	—	—
Loss (Gain) on Fixed Assets	20	—	—	—	—	20
Total Working Capital Provided by Operations	2,617	(716)	87	7	(570)	1,425
Sale of Fixed Assets	—	—	—	—	—	—
Increase in Contributed Capital	—	873	—	—	—	873
Increase in Long-Term Debt Payable	—	12	—	—	5,018	5,030
Decrease in Bond Issuance Expense	—	—	—	—	—	—
Decrease in Long-Term Receivables	—	—	—	—	—	—
Decrease in Long-Term Investments	—	—	—	—	—	—
Total Sources of Working Capital	2,617	169	87	7	4,448	7,328
Uses of Working Capital:						
Acquisition of Property, Plant, and Equipment	1,428	51	—	—	6	1,485
Increase in Bond Issuance Expense	—	—	—	—	—	—
Increase in Systems Development Costs	—	—	—	—	—	—
Increase in Long-Term Investments	—	—	—	—	—	—
Increase in Long-Term Receivables	—	—	—	—	—	—
Increase in Restricted Assets	—	—	—	—	—	—
Decrease in Long-Term Debt Payable	1,125	—	—	—	—	1,125
Decrease in Contributed Capital	—	—	—	—	—	—
Total Uses of Working Capital	2,553	51	—	—	6	2,610
Net Increase (Decrease) in Working Capital	$ 64	$ 118	$ 87	$ 7	$ 4,442	$ 4,718
Elements of Net Increase (Decrease) in Working Capital:						
Cash and Cash Equivalents	$ 331	$ 295	$ 77	$ 2	$ 4,602	$ 5,307
Receivables	94	(95)	7	4	—	10
Inventories	(1,808)	(4)	(3)	—	—	(1,815)
Prepaid Expenses	7	—	—	—	—	7
Payables, Deposits, and Other Liabilities	1,510	(78)	6	1	(160)	1,279
Deferred Revenue	(70)	—	—	—	—	(70)
Due to Program Participants, Escrows, and Providers	—	—	—	—	—	—
Net Increase (Decrease) in Working Captial	$ 64	$ 118	$ 87	$ 7	$ 4,442	$ 4,718

See Notes to the Financial Statements.

Enterprise–Public Benefit Corporations						Subtotal	Totals	
Virginia Housing Development Authority	Virginia Education Loan Authority	Virginia International Terminals, Inc.	Virginia Resources Authority	State Education Assistance Authority	Virginia Public School Authority		June 30, 1988	June 30, 1987
$ 35,431	$ 3,896	$ 3,299	$ 2,813	$ (16,030)	$ (3,765)	$ 25,644	**$ 25,531**	$ 15,344
62	463	1,109	8	—	—	1,642	**3,160**	3,180
—	1,328	—	—	—	—	1,328	**1,328**	1,443
—	—	—	—	—	—	—	**20**	4
35,493	5,687	4,408	2,821	(16,030)	(3,765)	28,614	**30,039**	19,971
—	—	—	—	—	—	—	**—**	101
—	—	84	10,200	—	—	10,284	**11,157**	10,620
177,213	—	537	—	—	152,265	330,015	**335,045**	291,059
—	281	—	—	—	—	281	**281**	—
—	12,268	—	—	—	—	12,268	**12,268**	4,877
24,032	5,480	—	15,745	—	—	45,257	**45,257**	515,875
236,738	23,716	5,029	28,766	(16,030)	148,500	426,719	**434,047**	842,503
10,255	557	1,661	4	75	—	12,552	**14,037**	6,155
456	—	—	—	—	—	456	**456**	364
—	111	—	—	—	—	111	**111**	9,958
—	—	—	—	17,837	147,660	165,497	**165,497**	104,089
342,704	—	—	17,789	—	8,097	368,590	**368,590**	92,487
—	—	169	—	—	—	169	**169**	—
—	17,298	—	4,462	45	—	21,805	**22,930**	1,075
—	—	—	—	—	—	—	**—**	882
353,415	17,966	1,830	22,255	17,957	155,757	569,180	**571,790**	215,010
$ (116,677)	$ 5,750	$ 3,199	$ 6,511	$ (33,987)	$ (7,257)	$ (142,461)	**$ (137,743)**	$ 627,493
$ (93,558)	$ 6,350	$ 2,986	$ 8,274	$ (6,113)	$ 6,062	$ (75,999)	**$ (70,692)**	$ 662,380
(4,672)	(678)	1,265	(1,018)	(40)	911	(4,232)	**(4,222)**	3,806
(956)	—	434	—	—	—	(522)	**(2,337)**	72
—	(10)	529	59	(14)	—	564	**571**	194
(3,999)	88	(2,015)	830	(22,488)	(14,230)	(41,814)	**(40,535)**	(36,425)
(370)	—	—	(1,634)	(5,332)	—	(7,336)	**(7,406)**	(185)
(13,122)	—	—	—	—	—	(13,122)	**(13,122)**	(2,349)
$ (116,677)	$ 5,750	$ 3,199	$ 6,511	$ (33,987)	$ (7,257)	$ (142,461)	**$ (137,743)**	$ 627,493

Internal Service Funds

Internal Service Funds account for the operations of State agencies which render services to other State agencies, institutions, or other governmental units of the Commonwealth on a cost-reimbursement basis.

Department of Information Technology accounts for the installation and maintenance of the State government's telephone system; the development, use, and maintenance of the Commonwealth's data processing systems; and the development of automated systems.

Bureau of Industrial Enterprises accounts for the manufacturing activities of the State's correctional facilities.

Central Garage accounts for the Commonwealth's motor vehicle pool.

State Surplus Property accounts for the transfer and sale of State-owned surplus property.

Federal Surplus Property accounts for the transfer and sale of federally-owned surplus property.

Maintenance and Repair accounts for services outside the scope of normal maintenance or custodial services provided to agencies by the Bureau of Buildings and Grounds.

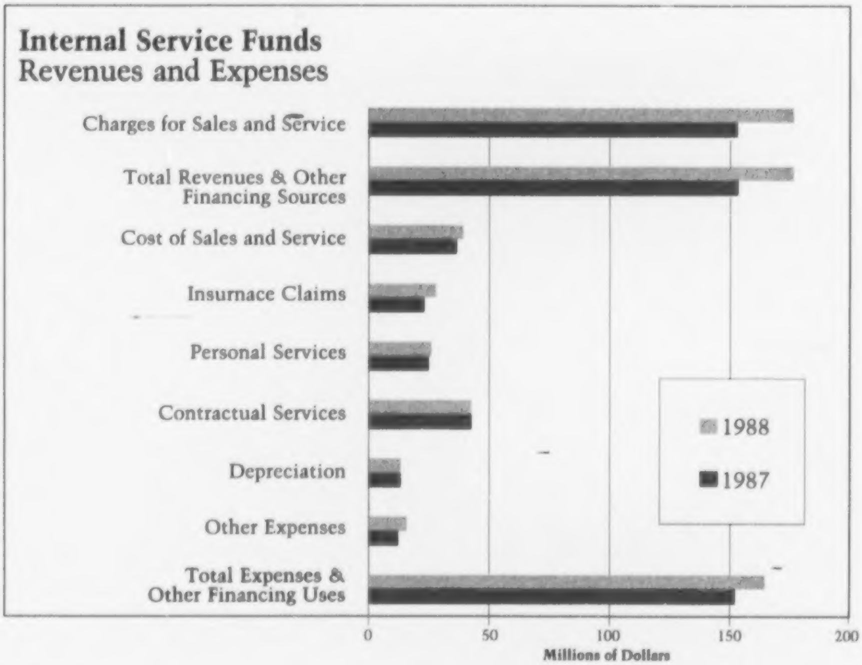
Central Warehouse accounts for supplies purchased for and used by State agencies.

Office of Graphic Communications accounts for the Commonwealth's graphic design division.

Risk Management accounts for the insurance programs provided to State agencies and institutions.

Analysis

During 1988, Internal Service Funds earned $177 million in operating revenues, which represented an increase of 16.5% over 1987, and had operating expenses of $160 million, which represented an increase of 8.4% over 1987. Income before operating transfers of $17.7 million represented an increase of 323.9% over 1987. This increase is primarily due to increased participation by localities in the Risk Management Fund.



Combining Balance Sheet
Internal Service Funds

June 30, 1988
(Dollars in Thousands)

	Information Technology	Industrial Enterprises
Assets		
Cash and Cash Equivalents	$ 736	$ 2,722
Cash and Investments with Trustees	—	—
Petty Cash and Travel Advances	27	5
Taxes, Loans, Accounts, and Other Receivables (Net)	7,601	2,707
Due from Other Funds	—	—
Inventory	—	7,882
Prepaid Expenses	108	—
Property, Plant, and Equipment (Net)	10,245	6,004
Total Assets	$ 18,717	$ 19,320
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	$ 2,641	$ 868
Notes Payable	6,985	—
Other Liabilities	—	—
Interfund Payables	1,488	—
Loans Payable	1,380	—
Deferred Revenue	7	46
Capital Lease Obligations	—	—
Accrued Liability for Compensated Absences	1,445	425
Total Liabilities	13,946	1,339
Fund Equity:		
Contributed Capital	—	5,676
Retained Earnings	4,771	12,305
Total Fund Equity	4,771	17,981
Total Liabilities and Fund Equity	$ 18,717	$ 19,320

See Notes to the Financial Statements.

							Totals	
Central Garage	State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Graphic Communications	Risk Management	June 30, 1988	June 30, 1987
$ 18	$ 82	$ 125	$ 138	$ 78	$ 40	$ 12,637	**$ 16,576**	$ 25,360
—	—	—	—	—	—	11,870	**11,870**	—
—	1	—	—	—	—	1	**34**	31
1,245	—	68	254	2,092	29	62	**14,058**	13,342
—	—	—	—	—	—	5,862	**5,862**	—
—	—	—	—	2,706	—	—	**10,588**	11,233
—	—	—	—	—	—	3,059	**3,167**	232
12,665	132	572	—	950	10	9	**30,587**	38,309
$ 13,928	$ 215	$ 765	$ 392	$ 5,826	$ 79	$ 33,500	**$ 92,742**	$ 88,507
$ 690	$ 7	$ 4	$ 109	$ 259	$ 3	$ 1,335	**$ 5,916**	$ 6,459
—	—	—	—	—	—	—	**6,985**	14,748
—	—	—	119	—	—	51	**170**	494
—	—	—	—	1,242	—	—	**2,730**	2,280
—	—	—	—	2,200	45	11,870	**15,495**	15,933
—	—	—	—	—	—	1,767	**1,820**	1,546
—	—	—	—	—	—	—	**—**	406
55	25	48	—	76	10	25	**2,109**	2,060
745	32	52	228	3,777	58	15,048	**35,225**	43,926
—	—	—	—	—	—	—	**5,676**	5,696
13,183	183	713	164	2,049	21	18,452	**51,841**	38,885
13,183	183	713	164	2,049	21	18,452	**57,517**	44,581
$ 13,928	$ 215	$ 765	$ 392	$ 5,826	$ 79	$ 33,500	**$ 92,742**	$ 88,507

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Internal Service Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Information Technology	Industrial Enterprises	Central Garage
Operating Revenues:			
Charges for Sales and Services	$ 75,019	$ 21,985	$ 8,335
Other	—	—	—
Total Operating Revenues	75,019	21,985	8,335
Operating Expenses:			
Cost of Sales and Services	—	14,572	—
Insurance Claims	—	—	—
Personal Services	18,955	2,583	638
Contractual Services	37,744	625	1,898
Supplies and Materials	961	228	1,537
Grants and Distributions to Localities	—	—	—
Expendable Equipment	252	27	23
Depreciation	10,021	837	2,573
Rent, Insurance, and Other Related Charges	4,380	371	494
Other	7	12	2
Total Operating Expenses	72,320	19,255	7,165
Operating Income (Loss)	2,699	2,730	1,170
Nonoperating Revenues (Expenses):			
Interest, Dividends, and Rents	—	—	—
Discounts	—	—	—
Gain (Loss) on Sale of Fixed Assets	(2)	1	—
Other	—	12	—
Total Nonoperating Revenues (Expenses)	(2)	13	—
Income (Loss) Before Transfers	2,697	2,743	1,170
Transfers:			
Operating Transfers In	—	—	—
Operating Transfers Out	—	(1,151)	—
Appropriations Act	—	—	(3,517)
Total Transfers	—	(1,151)	(3,517)
Net Income (Loss)	2,697	1,592	(2,347)
Retained Earnings, July 1	2,074	10,713	15,530
Retained Earnings, June 30	$ 4,771	$ 12,305	$ 13,183

See Notes to the Financial Statements.

						Totals	
						Year Ended	
State Surplus Property	Federal Surplus Property	Maintenance and Repair	Central Warehouse	Graphic Communications	Risk Management	June 30, 1988	June 30, 1987
$ 462	$ 544	$ 3,685	$ 26,654	$ 284	$ 40,165	**$ 177,133**	$ 152,352
—	—	—	—	—	570	**570**	237
462	544	3,685	26,654	284	40,735	**177,703**	152,589
—	—	—	24,403	—	—	**38,975**	35,657
—	—	—	—	—	28,418	**28,418**	22,991
237	440	—	816	165	456	**24,290**	22,956
115	27	1,982	641	125	51	**43,208**	42,958
27	24	415	29	7	3	**3,231**	2,965
—	—	—	13	—	—	**13**	8
2	—	6	4	—	3	**317**	550
45	29	—	117	2	1	**13,625**	14,074
43	32	1,029	100	8	1,316	**7,773**	5,288
—	—	230	18	—	—	**269**	248
469	552	3,662	26,141	307	30,248	**160,119**	147,695
(7)	(8)	23	513	(23)	10,487	**17,584**	4,894
—	30	—	2	—	—	**32**	(1,533)
—	—	—	—	—	—	**—**	121
—	—	—	(32)	—	—	**(33)**	161
3	17	—	121	—	—	**153**	541
3	47	—	91	—	—	**152**	(710)
(4)	39	23	604	(23)	10,487	**17,736**	4,184
—	—	—	—	—	19	**19**	306
—	—	(131)	—	—	—	**(1,282)**	(1,352)
—	—	—	—	—	—	**(3,517)**	(862)
—	—	(131)	—	—	19	**(4,780)**	(1,908)
(4)	39	(108)	604	(23)	10,506	**12,956**	2,276
187	674	272	1,445	44	7,946	**38,885**	36,609
$ 183	$ 713	$ 164	$ 2,049	$ 21	$ 18,452	**$ 51,841**	$ 38,885

Combining Statement of Changes in Financial Position
Internal Service Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Information Technology	Industrial Enterprises	Central Garage	State Surplus Property
Sources of Working Capital:				
Operations:				
Net Income (Loss)	$ 2,697	$ 1,592	$ (2,347)	(4)
Items Not Requiring Working Capital:				
Depreciation	10,021	837	2,573	45
Loss (Gain) on Fixed Assets	2	(1)	—	—
Total Working Capital Provided by Operations	12,720	2,428	226	41
Sale of Fixed Assets	502	—	360	—
Increase in Long-Term Debt Payable	3	30	4	5
Total Sources (Uses) of Working Capital	13,225	2,458	590	46
Uses of Working Capital:				
Acquisition of Property, Plant, and Equipment	3,174	717	2,837	50
Decrease in Long-Term Debt Payable	5,595	—	—	—
Decrease in Contributed Capital	—	—	—	1
Decrease in Capital Leases	—	—	—	—
Total Uses of Working Capital	8,769	717	2,837	51
Net Increase (Decrease) in Working Capital	$ 4,456	$ 1,741	$ (2,247)	$ (5)
Elements of Net Increase (Decrease) in Working Capital:				
Cash and Cash Equivalents	$ 417	$ 1,293	$ (1,924)	$ —
Receivables	(227)	833	19	—
Inventories	(167)	(227)	—	—
Prepaid Expenses	35	—	—	—
Payables, Deposits, and Other Liabilities	4,396	(314)	(342)	(5)
Deferred Revenue	2	156	—	—
Net Increase (Decrease) in Working Capital	$ 4,456	$ 1,741	$ (2,247)	$ (5)

See Notes to the Financial Statements.

					Totals **Year Ended**	
Federal Surplus Property	**Maintenance and Repair**	**Central Warehouse**	**Graphic Communications**	**Risk Management**	**June 30, 1988**	**June 30, 1987**
$ 39	$ (108)	$ 604	$ (23)	$ 10,506	**$ 12,956**	$ 2,276
29	—	117	2	1	**13,625**	14,074
—	—	31	—	—	**32**	(161)
68	(108)	752	(21)	10,507	**26,613**	16,189
4	—	—	—	—	**866**	2,419
3	—	—	1	5	**51**	2,880
75	(108)	752	(20)	10,512	**27,530**	21,488
—	—	17	5	—	**6,800**	12,970
—	—	205	8	—	**5,808**	7,132
19	—	—	—	—	**20**	—
—	—	—	—	—	**—**	361
19	—	222	13	—	**12,628**	20,463
$ 56	$ (108)	$ 530	$ (33)	$ 10,512	**$ 14,902**	$ 1,025
$ 60	$ (87)	$ 73	$ (22)	$ 3,278	**$ 3,088**	$ 539
(3)	(113)	299	(16)	5,786	**6,578**	1,398
—	—	(251)	—	—	**(645)**	55
—	—	—	—	2,900	**2,935**	39
(1)	92	409	5	(1,020)	**3,220**	460
—	—	—	—	(432)	**(274)**	(1,466)
$ 56	$ (108)	$ 530	$ (33)	$ 10,512	**$ 14,902**	$ 1,025

Trust and Agency Funds

Pension Trust Funds

Pension Trust Funds reflect the activities of the retirement systems administered by the Virginia Supplemental Retirement System (VSRS) for the Commonwealth.

The Virginia Supplement Retirement System provides retirement benefits to Commonwealth employees and teachers.

The Judicial Retirement System provides retirement benefits to the Commonwealth's judiciary.

The Administration Fund reflects transactions related to the administration and trust fund management activities of the VSRS.

The State Police Officers' Retirement System provides retirement benefits to Virginia State police officers.

The Pooled Assets Fund accounts for all investment activities of VSRS.

Nonexpendable Trust Funds

Nonexpendable Trust Funds are those whose principal must be preserved intact.

The Virginia Museum Nonexpendable Trust Fund (Virginia Museum of Fine Arts) supports the expendable trusts at the Virginia Museum by transferring investment income to these trusts.

Expendable Trust Funds

Expendable Trust Funds are those whose principal and income may be expended in the course of their designated operations. The fifty eight expendable trust funds of the Commonwealth are combined on a functional basis by secretarial area in accordance with Section 2600 of the GASB Codification.

Analysis

Pension Trust operating revenues decreased 16%, while operating expenses increased 10% over the prior year. The revenue decrease resulted from reduced gains on sale of investments. Nonoperating revenues increased by $2.2 million over the prior year due to increases in miscellaneous revenue. The results of these activities was net income of $1.1 billion in 1988.

Agency Funds

Agency Funds report those funds for which the State acts solely in a custodial capacity. A description of the funds is presented below:

Funds for the Collections of Taxes and Fees account for taxes and fees collected by the Commonwealth to be distributed to localities or other states.

Employee Benefits Fund accounts for undistributed withholdings for employee benefits.

Mined Land Deposits Fund accounts for reimbursable deposits, including both cash and securities, from mining companies to ensure reclamation of mined lands.

Local Government Investment Pool Fund accounts for investments held by the Commonwealth on behalf of local governments.

Inmate and Ward Trust Fund (Department of Corrections) accounts for the savings of inmates.

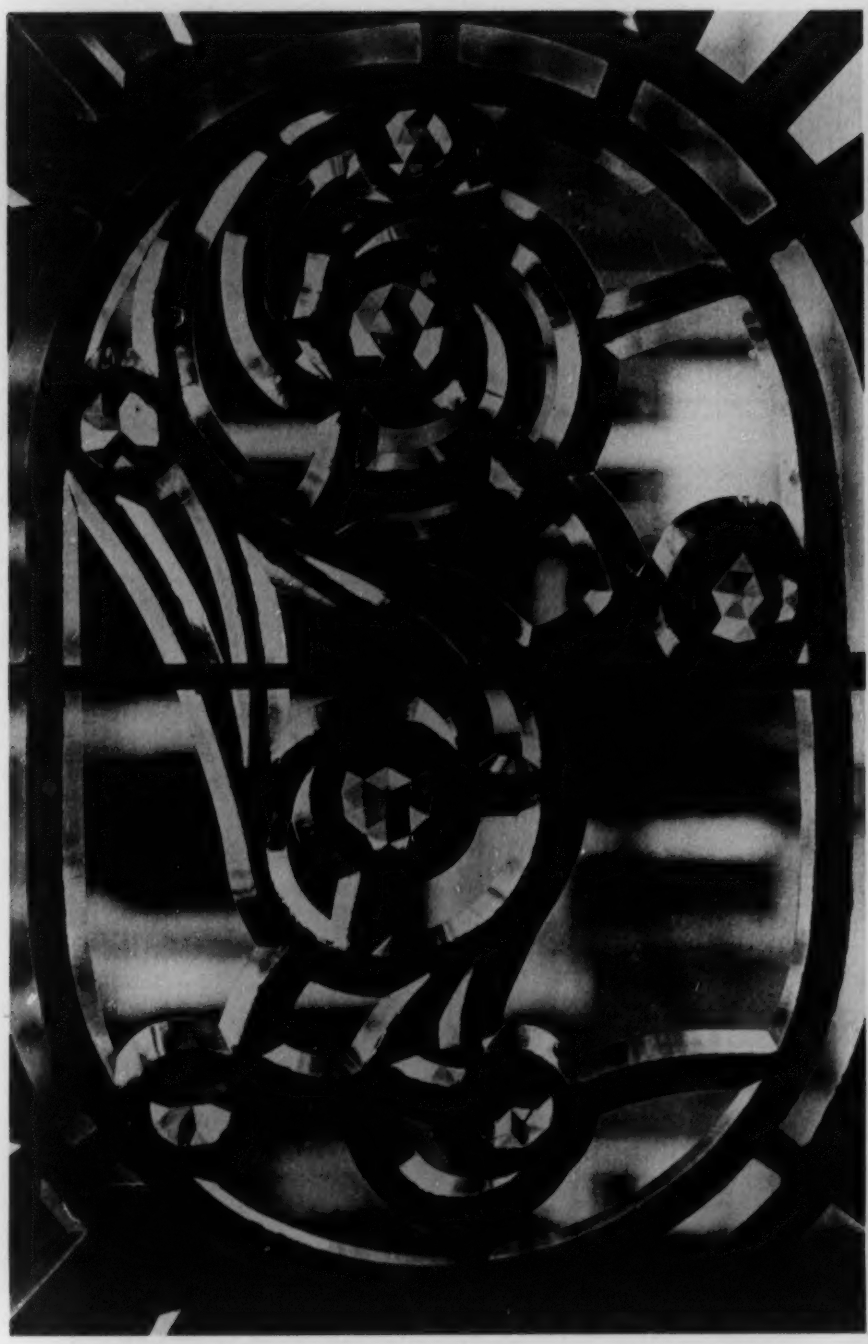
Child Support Collections Fund accounts for court-ordered child support payments that flow through the Department of Social Services.

Legal Settlement Fund accounts for receipts from court judgments which are deposited and subsequently distributed to the appropriate injured parties.

Deferred Compensation Fund accounts for employee earnings invested by VSRS, pursuant to the Government Employees Deferred Compensation Act.

Deposits of Insurance Carriers Fund accounts for security deposits of insurance carriers as protection to the policy holders of the Commonwealth.

Federal Aviation Fund accounts for federal monies received by the Commonwealth to reimburse localities for the expansion and improvement of airport systems.



Architectural detail of the Blanton House located on Virginia Commonwealth University's Academic Campus. VCU is recognized as a national leader in the adaptive preservation of its historic buildings, including many turn-of-the-century townhouses.

Combining Balance Sheet
All Trust and Agency Funds

June 30, 1988
(Dollars in Thousands)

	Pension Trust Funds					
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Fund	Administration Fund	Total Pension Trust Fund
Assets						
Cash and Cash Equivalents	$ 60	$ —	$ —	$ 525,233	$ 1,750	$ 527,043
Cash and Investments with Trustees	—	—	—	—	—	—
Petty Cash and Travel Advances	—	—	—	—	—	—
Taxes, Loans, Accounts, and Other Receivables (Net)	42,069	1	68	67,095	71	109,304
Investments	—	—	—	6,996,062	—	6,996,062
Inventory	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—
Property, Plant, and Equipment (Net)	—	—	—	776	817	1,593
Equity Distribution From Pooled Assets	7,426,031	97,947	58,523	(7,582,501)	—	—
Total Assets	$ 7,468,160	$ 97,948	$ 58,591	$ 6,665	$ 2,638	$ 7,634,002
Liabilities and Fund Equity						
Liabilities:						
Accounts Payable	$ 28,089	$ 317	$ 542	$ 4,309	$ 338	$ 33,595
Amounts Due to Other Governments	—	—	—	—	—	—
Deposits Pending Distribution	—	—	—	—	—	—
Other Liabilities	—	—	—	2,356	485	2,841
Due to Other Funds	—	—	—	—	—	—
Deferred Revenue	—	—	—	—	—	—
Due to Program Participants, Escrows, and Providers	—	—	—	—	—	—
Accrued Liability for Compensated Absences	—	—	—	—	294	294
Total Liabilities	28,089	317	542	6,665	1,117	36,730
Fund Equity:						
Fund Balance:						
Member Reserve for Pension Benefits	1,457,301	21,566	8,562	—	—	1,487,429
Employer Reserve for Pension Benefits	5,982,770	76,065	49,487	—	—	6,108,322
Reserved Gifts, Grants, and Contracts	—	—	—	—	—	—
Unreserved, Designated	—	—	—	—	1,521	1,521
Total Fund Equity	7,440,071	97,631	58,049	—	1,521	7,597,272
Total Liabilities and Fund Equity	$ 7,468,160	$ 97,948	$ 58,591	$ 6,665	$ 2,638	$ 7,634,002

See Notes to the Financial Statements.

Nonexpendable Trust Fund	Expendable Trust Funds							Agency Funds	Totals	
Virginia Museum of Fine Arts	Administration Fund	Economic Development Fund	Education Fund	Human Resources Fund	Natural Resources Fund	Transportation and Public Safety Fund	Total Expendable Trust Funds		June 30, 1988	June 30, 1987
$ 181	$ 42,699	$ 4,446	$ 927	$ 3,321	$ 81,599	$ 960	$ 133,952	$ 230,826	**$ 892,002**	$1,244,995
—	2,425	618,962	—	—	—	—	621,387	51,432	**672,819**	597,215
—	7	—	4	—	—	—	11	—	**11**	12
—	9,387	18,981	383	142	615	157	29,665	40,976	**179,945**	164,408
1,968	270,066	—	65	1,253	—	—	271,384	156,656	**7,426,070**	6,127,443
—	—	—	—	—	—	488	488	—	**488**	455
—	54,329	—	—	1	—	—	54,330	—	**54,330**	6
—	—	—	—	—	—	—	—	—	**1,593**	906
—	—	—	—	—	—	—	—	—	**—**	—
$ 2,149	$ 378,913	$ 642,389	$ 1,379	$ 4,717	$ 82,214	$ 1,605	$ 1,111,217	$ 479,890	**$9,227,258**	$8,135,440
$ 14	$ 8,215	$ 8,117	$ —	$ 1,760	$ 117	$ 339	$ 18,548	$ 73,820	**$ 125,977**	$ 107,682
—	—	—	—	—	—	—	—	229,001	**229,001**	396,454
—	1	173	—	—	13	—	187	8,696	**8,883**	8,509
—	—	286	1	—	—	45	332	1,857	**5,030**	3,788
—	—	132	—	—	—	—	132	—	**132**	—
—	—	2,387	1	—	—	—	2,388	—	**2,388**	1,940
—	—	—	—	—	—	—	—	166,516	**166,516**	142,345
—	—	—	—	—	—	—	—	—	**294**	277
14	8,216	11,095	2	1,760	130	384	21,587	479,890	**538,221**	660,995
—	—	—	—	—	—	—	—	—	**1,487,429**	1,396,283
—	—	—	—	—	—	—	—	—	**6,108,322**	5,117,279
2,135	—	—	—	—	—	—	—	—	**2,135**	1,907
—	370,697	631,294	1,377	2,957	82,084	1,221	1,089,630	—	**1,091,151**	958,976
2,135	370,697	631,294	1,377	2,957	82,084	1,221	1,089,630	—	**8,689,037**	7,474,445
$ 2,149	$ 378,913	$ 642,389	$ 1,379	$ 4,717	$ 82,214	$ 1,605	$ 1,111,217	$ 479,890	**$9,227,258**	$8,135,440

Combining Statement of Revenues, Expenses, and Changes in Fund Balances Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Fund	Administration Fund
Operating Revenues:					
Interest, Dividends, and Rents	$ —	$ —	$ —	$ 413,625	$ —
Contributions	716,336	6,913	8,650	—	—
Net Gain (Loss) Sale of Investments	—	—	—	279,540	—
Other	—	—	—	688	—
Total Operating Revenues	716,336	6,913	8,650	693,853	—
Operating Expenses:					
Retirement Benefits	297,901	3,543	6,342	—	—
Refunds to Former Members	28,554	155	15	—	—
Personal Services	—	—	—	—	4,116
Contractual Services	—	—	—	—	3,570
Supplies and Materials	—	—	—	—	106
Expendable Equipment	—	—	—	—	33
Depreciation	—	—	—	—	147
Rent, Insurance, and Other Related Charges	—	—	—	—	824
Other	128	—	—	—	21
Total Operating Expenses	326,583	3,698	6,357	—	8,817
Operating Income (Loss)	389,753	3,215	2,293	693,853	(8,817)
Nonoperating Revenues (Expenses):					
Net Gain (Loss) on Sale of Investments	—	—	—	—	—
Interest, Dividends, and Rents	4	—	—	—	—
Other	501	—	—	1,720	—
Total Nonoperating Revenues (Expenses)	505	—	—	1,720	—
Income (Loss) Before Transfers	390,258	3,215	2,293	695,573	(8,817)
Transfers:					
Operating Transfers In	681,155	9,153	5,306	—	9,150
Operating Transfers Out	(9,012)	(113)	(66)	(695,573)	—
Appropriations Act	—	—	—	—	—
Total Transfers	672,143	9,040	5,240	(695,573)	9,150
Net Income (Loss)	1,062,401	12,255	7,533	—	333
Fund Balance, July 1	6,377,670	85,376	50,516	—	1,188
Fund Balance, June 30	$ 7,440,071	$ 97,631	$ 58,049	$ —	$ 1,521

See Notes to the Financial Statements.

	Nonexpendable Trust Fund	Totals	
		Year Ended	
Total Pension Trust Fund	Virginia Museum of Fine Arts	June 30, 1988	June 30, 1987
$ 413,625	$ —	$ 413,625	$ 347,353
731,899	82	731,981	665,528
279,540	146	279,686	676,672
688	—	688	77
1,425,752	228	1,425,980	1,689,630
307,786	—	307,786	277,673
28,724	—	28,724	28,625
4,116	—	4,116	3,661
3,570	—	3,570	2,867
106	—	106	94
33	—	33	7
147	—	147	135
824	—	824	659
149	—	149	159
345,455	—	345,455	313,880
1,080,297	228	1,080,525	1,375,750
—	—	—	208
4	—	4	6
2,221	—	2,221	—
2,225	—	2,225	214
1,082,522	228	1,082,750	1,375,964
704,764	—	704,764	1,080,875
(704,764)	—	(704,764)	(1,080,875)
—	—	—	(42)
—	—	—	(42)
1,082,522	228	1,082,750	1,375,922
6,514,750	1,907	6,516,657	5,140,735
$ 7,597,272	$ 2,135	$ 7,599,407	$ 6,516,657

Combining Statement of Changes in Financial Position Pension Trust and Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Pension Trust Funds				
	Virginia Supplemental Retirement System	State Police Officers' Retirement System	Judicial Retirement System	Pooled Assets Fund	Administration Fund
Sources of Working Capital:					
Operations:					
Net Income (Loss)	$ 1,062,401	$ 12,255	$ 7,533	$ —	$ 333
Items Not Requiring Working Capital:					
Depreciation	—	—	—	—	147
Amortization	—	—	—	26,407	—
Total Working Capital Provided by Operations	1,062,401	12,255	7,533	26,407	480
Increase in Long-Term Debt Payable	—	—	—	—	22
Increase in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—
Total Sources of Working Capital	1,062,401	12,255	7,533	26,407	502
Uses of Working Capital:					
Acquisition of Property, Plant, and Equipment	—	—	—	776	58
Increase in Long-Term Investments	—	—	—	1,272,454	—
Decrease in Retained Earnings Due to Prior-Period Adjustment	—	—	—	—	—
Increase (Decrease) in Equity in Pooled Assets	1,058,899	12,282	7,498	(1,078,679)	—
Total Uses of Working Capital	1,058,899	12,282	7,498	194,551	58
Net Increase (Decrease) in Working Capital	$ 3,502	$ (27)	$ 35	$ (168,144)	$ 444
Elements of Net Increase (Decrease) in Working Capital:					
Cash and Cash Equivalents	$ 4	$ —	$ —	$ (170,773)	$ 587
Receivables	1,940	1	68	3,851	67
Payables, Deposits, and Other Liabilities	1,558	(28)	(33)	(1,222)	(210)
Net Increase (Decrease) In Working Capital	$ 3,502	$ (27)	$ 35	$ (168,144)	$ 444

See Notes to the Financial Statements.

	Nonexpendable Trust Fund	Totals	
Total Pension Trust Fund	Virginia Museum of Fine Arts	Year Ended June 30, 1988	June 30 1987
$ 1,082,522	$ 228	$ 1,082,750	$ 1,375,922
147	—	147	135
26,407	—	26,407	(8,096)
1,109,076	228	1,109,304	1,367,961
22	—	22	31
—	—	—	2,203
1,109,098	228	1,109,326	1,370,195
834	—	834	201
1,272,454	93	1,272,547	1,425,799
—	—	—	2,203
—	—	—	—
1,273,288	93	1,273,381	1,428,203
$ (164,190)	$ 135	$ (164,055)	$ (58,008)
$ (170,182)	$ 137	$ (170,045)	$ (60,962)
5,927	—	5,927	3,437
65	(2)	63	(483)
$ (164,190)	$ 135	$ (164,055)	$ (58,008)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Expendable Trust Funds

For the Fiscal Year Ended June 30, 1988

(Dollars in Thousands)

	Administration Fund	Economic Development Fund	Education Fund	Human Resources Fund
Revenues:				
Taxes	$ —	$ 146,663	$ —	$ —
Assessments and Receipts for Support of Special Services	—	423	—	—
Institutional Revenue	796	—	—	1,358
Interest, Dividends, and Rents	26,018	52,299	1,683	139
Fines, Forfeitures, Court Fees, Penalties, and Escheats	—	—	—	—
Federal Grants and Contracts	—	—	—	—
Private Donations, Gifts, and Contracts	6	64	64	37
Contributions	61,838	—	—	—
Other	3,596	7,240	9	233
Total Revenues	92,254	206,689	1,756	1,767
Expenditures:				
Current:				
General Government	48,016	789	—	87
Education	—	—	1,014	—
Resources and Economic Development	3,977	72	—	—
Individual and Family Services	—	146,720	—	1,677
Administration of Justice	6	—	—	—
Capital Projects	852	—	—	—
Total Expenditures	52,851	147,581	1,014	1,764
Revenues Over (Under) Expenditures	39,403	59,108	742	3
Other Financing Sources (Uses):				
Transfers:				
Operating Transfers In	34,038	10	—	—
Operating Transfers Out	(2,250)	—	—	—
Appropriations Act	(1)	(138)	—	—
Total Other Financing Sources (Uses)	31,787	(128)	—	—
Revenues and Other Sources Over (Under) Expenditures and Other Uses	71,190	58,980	742	3
Fund Balance, July 1	299,507	572,314	635	2,954
Fund Balance, June 30	$ 370,697	$ 631,294	$ 1,377	$ 2,957

See Notes to the Financial Statements.

		Totals	
		Year Ended	
Natural Resources Fund	Transportation and Public Safety Fund	June 30, 1988	June 30, 1987
$ 304	$ —	$ 146,967	$ 173,894
—	—	423	946
—	6,538	8,692	6,782
6,321	46	86,506	56,026
597	—	597	495
4,093	—	4,093	22,600
—	—	171	39
—	—	61,838	163,174
—	141	11,219	13,041
11,315	6,725	320,506	436,997
102	—	48,994	115,553
—	—	1,014	2,489
1,118	—	5,167	2,488
12,430	—	160,827	153,294
—	6,581	6,587	5,692
—	—	852	151
13,650	6,581	223,441	279,667
(2,335)	144	97,065	157,330
20,266	—	54,314	13,931
(17,148)	—	(19,398)	(10,929)
—	—	(139)	(103)
3,118	—	34,777	2,899
783	144	131,842	160,229
81,301	1,077	957,788	797,559
$ 82,084	$ 1,221	$ 1,089,630	$ 957,788

Combining Statement of Changes in Assets and Liabilities All Agency Funds

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Balance July 1, 1987	Additions	Deletions	Balance June 30, 1988
Funds for the Collection of Taxes and Fees				
Assets:				
Cash and Cash Equivalents	$ 45,541	$ 553,503	$ 551,831	$ **47,213**
Accounts Receivable	36,698	40,079	36,698	**40,079**
Total Assets	$ 82,239	$ 593,582	$ 588,529	$ **87,292**
Liabilities:				
Amounts Due to Other Governments	$ 80,804	$ 587,205	$ 580,974	$ **87,035**
Other Liabilities	1,435	6,377	7,555	**257**
Total Liabilities	$ 82,239	$ 593,582	$ 588,529	$ **87,292**
Legal Settlement Fund				
Assets:				
Cash and Cash Equivalents	$ 299	$ 195	$ 234	$ **260**
Accounts Receivable	374	301	374	**301**
Total Assets	$ 673	$ 496	$ 608	$ **561**
Liabilities:				
Deposits Pending Distribution	$ 673	$ 496	$ 608	$ **561**
Total Liabilities	$ 673	$ 496	$ 608	$ **561**
Employee Benefits Fund				
Assets:				
Cash and Cash Equivalents	$ 17,796	$ 333,131	$ 328,825	$ **22,102**
Total Assets	$ 17,796	$ 333,131	$ 328,825	$ **22,102**
Liabilities:				
Accounts Payable	$ 17,796	$ 333,131	$ 328,825	$ **22,102**
Total Liabilities	$ 17,796	$ 333,131	$ 328,825	$ **22,102**
Deferred Compensation Fund				
Assets:				
Cash and Investments with Trustees	$ 42,591	$ 17,118	$ 8,277	$ **51,432**
Total Assets	$ 42,591	$ 17,118	$ 8,277	$ **51,432**
Liabilities:				
Accounts Payable	$ 42,591	$ 17,118	$ 8,277	$ **51,432**
Total Liabilities	$ 42,591	$ 17,118	$ 8,277	$ **51,432**
Mined Land Deposits Fund				
Assets:				
Cash and Cash Equivalents	$ 7,746	$ 474	$ 85	$ **8,135**
Total Assets	$ 7,746	$ 474	$ 85	$ **8,135**
Liabilities:				
Deposits Pending Distribution	$ 7,746	$ 474	$ 85	$ **8,135**
Total Liabilities	$ 7,746	$ 474	$ 85	$ **8,135**
Deposits of Insurance Carriers Fund				
Assets:				
Cash and Cash Equivalents	$ 1,111	$ —	$ 1,111	$ **—**
Investments	137,234	22,568	3,656	**156,146**
Total Assets	$ 138,345	$ 22,568	$ 4,767	$ **156,146**
Liabilities:				
Due to Program Participants, Escrows, and Providers	$ 138,345	$ 22,568	$ 4,767	$ **156,146**
Total Liabilities	$ 138,345	$ 22,568	$ 4,767	$ **156,146**

	Balance July 1, 1987	Additions	Deletions	Balance June 30, 1988
Local Government Investment Pool Fund				
Assets:				
Cash and Cash Equivalents	$ 315,635	$ 488,914	$ 662,583	**$ 141,966**
Total Assets	$ 315,635	$ 488,914	$ 662,583	**$ 141,966**
Liabilities:				
Amounts Due to Other Governments	$ 315,635	$ 488,914	$ 662,583	**$ 141,966**
Total Liabilities	$ 315,635	$ 488,914	$ 662,583	**$ 141,966**
Inmate/Ward Trust Fund				
Assets:				
Cash and Cash Equivalents	$ 911	$ —	$ 131	**$ 780**
Investments	355	155	—	**510**
Accounts Receivable	368	596	368	**596**
Total Assets	$ 1,634	$ 751	$ 499	**$ 1,886**
Liabilities:				
Accounts Payable	$ 175	$ 286	$ 175	**$ 286**
Other Liabilities	1,459	141	—	**1,600**
Total Liabilities	$ 1,634	$ 427	$ 175	**$ 1,886**
Federal Aviation Fund				
Assets:				
Cash and Cash Equivalents	$ —	$ 11,794	$ 11,794	**$ —**
Accounts Receivable	15	—	15	**—**
Total Assets	$ 15	$ 11,794	$ 11,809	**$ —**
Liabilities:				
Amounts Due to Other Governments	$ 15	$ 11,794	$ 11,809	**$ —**
Total Liabilities	$ 15	$ 11,794	$ 11,809	**$ —**
Child Support Collections Fund				
Assets:				
Cash and Cash Equivalents	$ 4,000	$ 87,492	$ 81,122	**$ 10,370**
Total Assets	$ 4,000	$ 87,492	$ 81,122	**$ 10,370**
Liabilities:				
Due to Program Participants, Escrows, and Providers	$ 4,000	$ 87,492	$ 81,122	**$ 10,370**
Total Liabilities	$ 4,000	$ 87,492	$ 81,122	**$ 10,370**
Totals — All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 393,039	$ 1,475,503	$ 1,637,716	**$ 230,826**
Cash and Investments with Trustees	42,591	17,118	8,277	**51,432**
Accounts Receivable	37,455	40,976	37,455	**40,976**
Investments	137,589	22,723	3,656	**156,656**
Total Assets	$ 610,674	$ 1,556,320	$ 1,687,104	**$ 479,890**
Liabilities:				
Accounts Payable	$ 60,562	$ 350,535	$ 337,277	**$ 73,820**
Deposits Pending Distribution	8,419	970	693	**8,696**
Amounts Due to Other Governments	396,454	1,087,913	1,255,366	**229,001**
Due to Program Participants, Escrows, and Providers	142,345	110,060	85,889	**166,516**
Other Liabilities	2,894	6,518	7,555	**1,857**
Total Liabilities	$ 610,674	$ 1,555,996	$ 1,686,780	**$ 479,890**

See Notes to the Financial Statements.

General Fixed Assets Account Group

The General Fixed Assets Account Group accounts for the land, buildings, improvements, and equipment of the governmental funds. Fixed assets of the proprietary fund types and similar trust funds and the Higher Education Fund are accounted for within those funds.

Analysis

At June 30, 1988, the fixed assets recorded in the General Fixed Asset Account Group totaled $1.5 billion. In fiscal year 1988, $200 million in general fixed assets were acquired and $102 million in general fixed assets were deleted.

Virginia Commonwealth University

Location:	Richmond
President:	Dr. Edmund F. Ackell
Faculty–	
Tenured:	511
Non-Tenured:	313
Total Faculty:	824
Student Enrollment–	
Full Time:	12,284
Part Time:	8,201
Total Enrollment:	20,485

Patient care and state-of-the-art medical treatment are a vital part of VCU's mission. MCV Hospitals, with 1,058 licensed beds, is one of the nation's four largest university affiliated teaching hospitals. With the opening of the renovated North Hospital, nearly all beds are now housed in facilities that are less than five years old. Recently MCV Hospitals were cited among the top 65 hospitals in the country in *The Best Hospitals in America.*

Virginia Commonwealth University was created by the General Assembly on July 1, 1968, by merging the Medical College of Virginia (founded in 1838) and Richmond Professional Institute (founded in 1917). Building on the strengths of both institutions, VCU has developed into a comprehensive doctoral-granting, research university with a dual campus.

VCU ranks 36th in the nation in medical science research and is one of the nation's four largest university affiliated teaching hospitals. It has one of the largest evening colleges in the United States. Currently offered by the University are 55 baccalaureate, 57 master's, 19 doctoral, and two first professional degree offerings and 12 post-baccalaureate certificate programs. Teaching, research, and service are the key ingredients to the institution's educational mission to meet the needs of today's society.

Schedule of General Fixed Assets by Source

June 30, 1988

(Dollars in Thousands)

General Fixed Assets:	
Land	$ 184,431
Buildings	667,891
Equipment	477,621
Improvements Other than Buildings	123,234
Construction in Progress	93,540
Total General Fixed Assets	$ 1,546,717
Investments in General Fixed Assets from:	
Capital Lease Obligations	$ 11,364
General Obligation Bonds	22,296
Federal Grants	40,411
Nonfederal Grants	63
General Fund Revenues	867,372
Special Revenue Fund Revenues	507,049
Gifts and Donations	31,641
Local Funds	19,887
Other Funds	46,634
Total Investment in General Fixed Assets, at Cost	$ 1,546,717

See Notes to the Financial Statements.

Schedule of General Fixed Assets by Function

	Land	Buildings	Improvements Other than Buildings	Equipment	Total
Function and Activity					
Education	$ 5,864	$ 47,014	$ 2	$ 17,396	$ 70,276
Administration of Justice	27,482	173,266	561	90,686	291,995
Individual and Family Services	18,612	162,999	5,138	55,873	242,622
Resources and Economic Development	53,230	31,126	9,747	43,430	137,533
Transportation	33,409	108,876	106,345	246,552	495,182
General Government	39,283	54,006	161	22,960	116,410
Capital Projects	6,551	90,604	1,280	724	99,159
Total General Fixed Assets Allocated to Functions	$ 184,431	$ 667,891	$ 123,234	$ 477,621	1,453,177
Construction in Progress					93,540
Total General Fixed Assets					$ 1,546,717

See Notes to the Financial Statements.

Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

Function and Activity	General Fixed Assets July 1, 1987	Acquisitions	Deductions	General Fixed Assets June 30, 1988
Education	$ 67,708	$ 3,078	$ 510	**$ 70,276**
Administration of Justice	276,100	19,118	3,223	**291,995**
Individual and Family Services	296,141	8,402	61,921	**242,622**
Resources and Economic Development	127,469	12,084	2,020	**137,533**
Transportation	465,264	36,531	6,613	**495,182**
General Government	115,183	3,146	1,919	**116,410**
Capital Projects	81,943	17,219	3	**99,159**
Construction in Progress	18,895	100,641	25,996	**93,540**
Total General Fixed Assets	$ 1,448,703	$ 200,219	$ 102,205	**$ 1,546,717**

See Notes to the Financial Statements.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group accounts for the outstanding balances of the Commonwealth's long-term obligations not reported in the Proprietary Fund Types and Similar Trust Funds and the Higher Education Fund.

Analysis

Included in the General Long-Term Account Group are general obligation bonds which are backed by the full faith, credit, and taxing power of the Commonwealth, as well as the long-term portion of the liability for compensated absences, and the long-term portion of capital lease obligations. Also included is the long-term debt of the Virginia Port Authority, the Virginia Public Building Authority, and the Norfolk-Virginia Beach Toll Road, which is not backed by the Commonwealth.

During fiscal year 1988, the Commonwealth did not issue general obligation bonds. The Commonwealth does not expect to issue long-term general obligation bonds in fiscal year 1989.

Statement of Changes in General Long-Term Debt

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Balance July 1, 1987	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 1988
Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Article X, Sections 9(b) and 9(c) Bonds:				
Public Facilities Bonds, Series 1978	$ 72,325	$ —	$ 6,575	**$ 65,750**
Transportation Facilities Bonds, Series 1986 (Powhite Parkway Extension)	78,000	—	—	**78,000**
Transportation Facilities Bonds, Series 1987A (Dulles Toll Road)	57,100	—	1,500	**55,600**
Total Sections 9(b) and 9(c) Bonds	207,425	—	8,075	**199,350**
Other Long-Term Debt:				
Long-Term Capital Lease Obligations	7,853	602	1,421	**7,034**
Long-Term Portion of the Liability for Compensated Absences	137,353	6,662	—	**144,015**
Insurance Claims Payable	25,672	40,451	25,144	**40,979**
Installment Purchases	4,360	11,193	2,396	**13,157**
Total Long-Term Debt Bearing the Pledge of the Full Faith and Credit of the Commonwealth	382,663	58,908	37,036	**404,535**
Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth:				
Norfolk-Virginia Beach Toll Revenue Bonds, Series 1965	17,690	—	5,210	**12,480**
Virginia Port Authority Long-Term Debt	50,772	106,120	7,281	**149,611**
Virginia Port Authority Capital Lease Obligations	9,613	826	1,521	**8,918**
Virginia Public Building Authority Long-Term Debt	122,790	—	1,410	**121,380**
Total Long-Term Debt Not Bearing the Pledge of the Full Faith and Credit of the Commonwealth	200,865	106,946	15,422	**292,389**
Total General Long-Term Debt Account Group	$ 583,528	$ 165,854	$ 52,458	**$ 696,924**

See Notes to the Financial Statements.

Higher Education Fund

The Higher Education Fund accounts for the resources received and used in the operation of the Commonwealth's institutions of higher education and medical teaching hospitals.

Four-year State Colleges and Universities

- Christopher Newport College
- Clinch Valley College
- The College of William and Mary
- George Mason University
- James Madison University
- Longwood College
- Mary Washington College
- Norfolk State University
- Old Dominion University
- Radford University
- University of Virginia
- Virginia Commonwealth University
- Virginia Military Institute
- Virginia Polytechnic Institute and State University
- Virginia State University

Medical Teaching Hospitals

- Virginia Commonwealth University—Medical College of Virginia
  - Hospital Division
- University of Virginia
  - Hospital Division

Two-year College

- Richard Bland College

Virginia Institute of Marine Science
Virginia College Building Authority*
Center for Innovative Technology**

Two-year Community Colleges

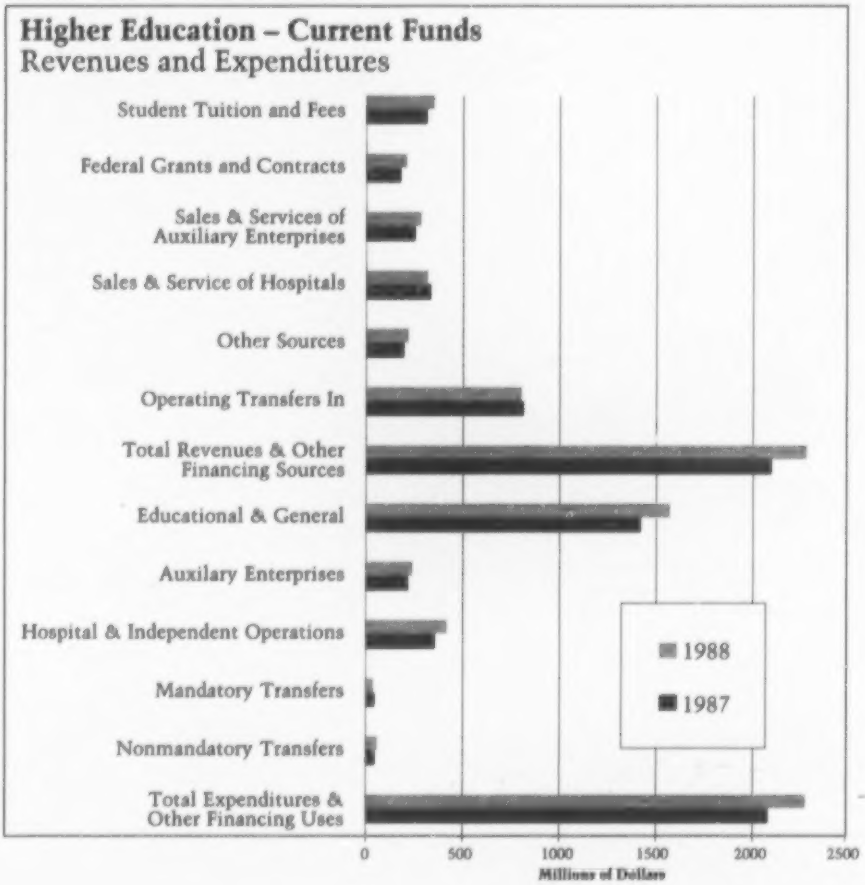
- Blue Ridge
- Central Virginia
- Dabney S. Lancaster
- Danville
- Eastern Shore
- Germanna
- J. Sargeant Reynolds
- John Tyler
- Lord Fairfax
- Mountain Empire
- New River
- Northern Virginia
- Patrick Henry
- Paul D. Camp
- Piedmont Virginia
- Rappahannock
- Southside Virginia
- Southwest Virginia
- Thomas Nelson
- Tidewater
- Virginia Highlands
- Virginia Western
- Wytheville

* The Virginia College Building Authority finances certain equipment purchases of State-supported colleges and universities.

** The Center for Innovative Technology enhances and expands the research and development capabilities of the State's institutions of higher education and coordinates such capabilities with research activities and requirements of the public and private sectors.

Analysis

In 1988, current funds revenues and other sources totaled $2,311 million, composed primarily of the educational and general transfer from the General Fund of the Commonwealth, sales and services of hospitals, student tuition and fees, sales and services of auxiliary enterprises, and federal grants and contracts. Expenditures and other uses, 68% of which was attributable to educational and general expenditures, came to $2,304 million. The net increase in fund balance for the current funds in 1988 was $7 million.



Higher Education – Current Funds
Revenues and Expenditures

Combining Balance Sheet
Higher Education Fund

June 30, 1988
(Dollars in Thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds
Assets				
Cash and Cash Equivalents	$ 231,279	$ 7,922	$ 16,430	$ 196,681
Cash and Investments with Trustees	—	—	—	126,185
Taxes, Loans, Accounts, and Other Receivables (Net)	121,041	55,820	18,603	36,950
Due from Other Funds	16,162	10	156	5,626
Investments	46,597	301	445,177	21,509
Inventory	24,553	—	—	—
Prepaid Expenses	19,319	—	—	—
Other Assets	2,042	23	1,986	5,012
Property, Plant, and Equipment (Net)	—	—	—	2,794,253
Total Assets	$ 460,993	$ 64,076	$ 482,352	$ 3,186,216
Liabilities and Fund Equity				
Liabilities:				
Accounts Payable	$ 73,380	$ 94	$ —	$ 31,831
Deposits Pending Distribution	12,758	—	—	—
Notes Payable	—	—	—	35,869
Other Liabilities	521	—	214	16,418
Due to Other Funds	15,874	115	4,908	15,222
Interfund Payables	4,508	—	—	13,384
Deferred Revenue	44,686	—	—	—
Bonds Payable	—	—	9,795	541,877
Capital Lease Obligations	—	—	—	6,089
Accrued Liability for Compensated Absences	65,534	—	—	—
Total Liabilities	217,261	209	14,917	660,690
Fund Equity:				
Unrestricted	160,560	—	—	—
Restricted	83,172	—	—	—
U.S. Government Grants Refundable	—	55,421	—	—
University Funds–Restricted	—	8,446	—	—
Life Income and Annuity	—	—	1,189	—
Endowment	—	—	173,042	—
Quasi-endowment–Unrestricted	—	—	146,023	—
Quasi-endowment–Restricted	—	—	147,181	—
Unexpended	—	—	—	86,900
Renewals and Replacements	—	—	—	6,902
Retirement of Indebtedness	—	—	—	107,975
Net Investment in Plant	—	—	—	2,323,749
Total Fund Equity	243,732	63,867	467,435	2,525,526
Total Liabilities and Fund Equity	$ 460,993	$ 64,076	$ 482,352	$ 3,186,216

See Notes to the Financial Statements.

	Totals	
	(Memorandum Only)	
Agency Funds	June 30, 1988	June 30, 1987
$ 7,603	$ 459,915	$ 641,474
—	126,185	104,028
—	232,414	185,960
18,143	40,097	40,748
579	514,163	400,391
—	24,553	19,926
—	19,319	5,099
276	9,339	10,231
—	2,794,253	2,498,944
$ 26,601	$ 4,220,238	$ 3,906,801
$ —	$ 105,305	$ 90,622
26,545	39,303	47,159
—	35,869	32,267
53	17,206	709
3	36,122	35,558
—	17,892	8,686
—	44,686	41,950
—	551,672	570,264
—	6,089	3,017
—	65,534	60,886
26,601	919,678	891,118
—	160,560	135,340
—	83,172	101,036
—	55,421	51,228
—	8,446	10,192
—	1,189	1,030
—	173,042	158,000
—	146,023	150,034
—	147,181	149,719
—	86,900	69,602
—	6,902	3,115
—	107,975	108,633
—	2,323,749	2,077,754
—	3,300,560	3,015,683
$ 26,601	$ 4,220,238	$ 3,906,801

Combining Statement of Changes in Fund Balances Higher Education Fund

For the Fiscal Year Ended June 30, 1988
(Dollars in Thousands)

	Current Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds
Revenues and Other Additions:				
Unrestricted Current Funds Revenues	$ 1,081,038	$ —	$ —	$ —
Federal Grants and Contracts–Restricted	—	195,994	643	325
State Grants and Contracts–Restricted	—	46,094	—	—
Local Grants and Contracts–Restricted	—	11,971	—	—
Private Gifts, Grants, and Contracts–Restricted	—	74,699	24	11,600
Investment Income	—	5,065	206	259
Endowment Income	—	14,320	53	5
Interest on Loans Receivable	—	—	1,035	—
U.S. Government Advances	—	—	360	—
Expended for Plant Facilities (including $125,787 charged to current funds)	—	—	—	—
Retirement of Indebtedness (including $7,479 charged to current funds)	—	—	—	—
Realized Gain on Investments	—	26	12	19,620
Other Sources	—	3,954	920	92
Total Revenues and Other Additions	1,081,038	352,123	3,253	31,901
Expenditures and Other Deductions:				
Educational and General Expenditures	1,227,782	327,840	—	—
Auxiliary Enterprise Expenditures	235,468	361	—	—
Hospital Expenditures	426,351	405	—	—
Indirect Costs Recovered	—	36,826	—	—
Refunded to Grantors	—	130	92	—
Loan Cancellations	—	—	586	—
Administrative and Collection Costs	—	33	314	—
Expended for Plant Facilities (including non-capitalized expenditures of $6,296)	—	—	—	—
Retirement of Plant Facilities	—	—	—	—
Retirement of Indebtedness	—	—	—	—
Interest on Indebtedness	—	—	—	—
Realized Loss on Investments	—	3	—	499
Unrealized Loss on Investments	—	—	—	32,394
Other	—	558	—	666
Total Expenditures and Other Deductions	1,889,601	366,156	992	33,559
Transfers Among Funds:				
Operating Transfers In	911,220	—	—	—
Mandatory:				
Appropriations Act	(196)	—	—	—
Debt Service and Other (includes Educational and General)	(45,433)	9,622	148	6
Nonmandatory:				
Debt Service and Other	(246)	(48)	—	4
(To)/From Other Funds	(31,562)	(13,405)	38	10,300
Total Transfers	833,783	(3,831)	186	10,310
Net Increase (Decrease) for the Year	25,220	(17,864)	2,447	8,652
Fund Balance, July 1	135,340	101,036	61,420	458,783
Fund Balance, June 30	$ 160,560	$ 83,172	$ 63,867	$ 467,435

Plant Funds			
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
$ —	$ —	$ —	$ —
83	100	—	—
5,458	6,513	—	1,513
1,164	25	—	—
6,919	—	646	3,424
4,565	104	10,265	—
98	—	—	—
261	—	—	—
—	—	—	—
—	—	—	228,752
—	—	—	31,812
—	—	—	—
3,485	774	2,265	2,396
22,033	7,516	13,176	267,897
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
—	—	529	—
102,494	6,767	—	—
—	—	—	19,841
—	—	24,333	—
—	—	39,110	7
—	—	—	—
—	—	—	—
296	1,213	1,106	781
102,790	7,980	65,078	20,629
72,211	—	—	9,490
—	—	—	—
757	71	44,192	(9,363)
9	5	276	—
25,078	4,175	6,776	(1,400)
98,055	4,251	51,244	(1,273)
17,298	3,787	(658)	245,995
69,602	3,115	108,633	2,077,754
$ 86,900	$ 6,902	$ 107,975	$ 2,323,749

Combining Statement of Current Funds Revenues, Expenditures, and Other Changes
Higher Education Fund

For the Fiscal Year Ended June 30, 1988

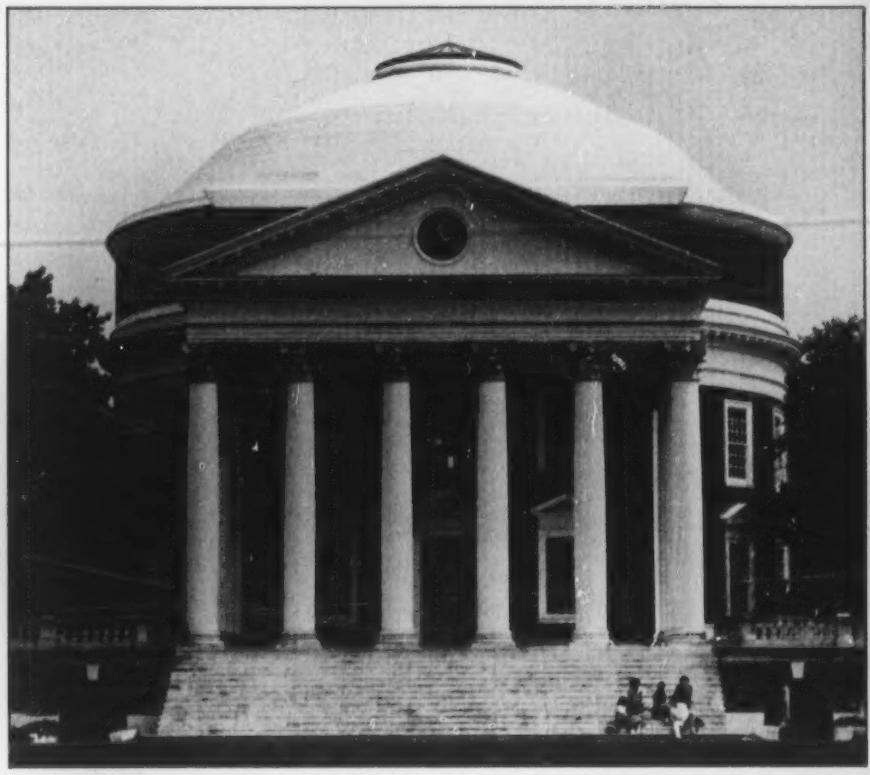
(Dollars in Thousands)

	Current Funds		Totals Year Ended	
	Unrestricted	Restricted	June 30, 1988	June 30, 1987
Revenues:				
Student Tuition and Fees	$ 366,625	$ —	$ 366,625	$ 333,920
Federal Government Appropriations	—	—	—	15,662
Federal Grants and Contracts	32,916	178,594	211,510	180,625
State Grants and Contracts	—	47,913	47,913	40,014
Local Grants and Contracts	1,078	12,690	13,768	12,403
Private Gifts, Grants, and Contracts	6,648	67,569	74,217	58,207
Endowment Income	6,300	10,296	16,596	14,608
Sales and Services of Educational Departments	11,502	111	11,613	10,431
Sales and Services of Auxiliary Enterprises	276,933	—	276,933	250,293
Sales and Services of Hospitals	323,976	—	323,976	324,776
Sales and Services of Independent Operations	—	148	148	109
Sales and Services of Vending Commissions	77	—	77	1,050
Investment Income	315	533	848	1,067
Indirect Cost Recovery	25	—	25	22
Other Sources	54,643	1,130	55,773	31,346
Total Current Revenues	1,081,038	318,984	1,400,022	1,274,533
Expenditures and Mandatory Transfers:				
Educational and General:				
Instruction	622,465	54,211	676,676	614,457
Research	41,497	151,159	192,656	173,399
Public Service	34,783	27,538	62,321	59,139
Academic Support	161,413	7,886	169,299	153,764
Student Services	68,695	1,768	70,463	67,799
Institutional Support	169,268	5,511	174,779	159,050
Operation and Maintenance of Plant	117,564	1,698	119,262	110,880
Scholarships and Fellowships	11,957	76,376	88,333	79,185
Financial Assistance for Educational and General Services	140	1,693	1,833	603
Total Educational and General	1,227,782	327,840	1,555,622	1,418,276
Mandatory Transfers for Debt Service and Other	7,081	(9,622)	(2,541)	111,264
Total Educational and General Expenditures and Mandatory Transfers	1,234,863	318,218	1,553,081	1,529,540
Auxiliary Enterprises:				
Operating Expenditures	235,468	361	235,829	212,203
Mandatory Transfers for Debt Service	25,672	—	25,672	27,340
Total Auxiliary Enterprise Expenditures and Mandatory Transfers	261,140	361	261,501	239,543
Hospitals and Independent Operations:				
Operating Expenditures	426,351	405	426,756	377,975
Mandatory Transfers for Debt Service	12,876	—	12,876	10,956
Total Hospital and Independent Operations Expenditures and Mandatory Transfers	439,227	405	439,632	388,931
Total Expenditures and Mandatory Transfers	1,935,230	318,984	2,254,214	2,158,014
Other Transfers and Additions (Deductions):				
Operating Transfers In	911,220	—	911,220	939,009
Excess of Restricted Receipts Over Transfers to Revenues	—	(4,281)	(4,281)	17,522
Refunded to Grantors	—	(130)	(130)	(122)
Nonmandatory Transfers	(31,808)	(13,453)	(45,261)	(32,165)
Net Increase (Decrease) in Fund Balance	$ 25,220	$ (17,864)	$ 7,356	$ 40,763

See Notes to the Financial Statements.

The University of Virginia

Location:	Charlottesville
President:	Mr. Robert M. O'Neil
Faculty–	
Tenured:	849
Non-Tenured:	706
Total Faculty:	1,555
Student Enrollment–	
Full Time:	16,092
Part Time:	5,176
Total Enrollment:	21,268



Designed by Thomas Jefferson in 1819, the American Institute of Architects in 1976 proclaimed the UVA campus the "Outstanding Achievement of American Architecture." The Rotunda on the Lawn is the centerpiece of the campus.

Founded by Thomas Jefferson in 1819, the University of Virginia is a major comprehensive State university of national character and stature. A statute passed by the General Assembly in 1819 provided that "There shall be established, in some convenient and proper part of the State, the University of Virginia, wherein all the branches of useful science shall be taught." Mr. Jefferson outlined the purpose, designed the buildings, supervised the construction, planned the curriculum, directed the recruitment of the first faculty, and was the first rector of UVA. James Madison and James Monroe served on the first Board of Visitors.

Today, the University confers a considerable portion of the doctoral degrees awarded by Virginia's institutions of higher learning. Students have a choice of fifty-three fields of study at the undergraduate level, sixty-five majors are available for the master's degree, and fifty-three for the doctoral degree in addition to the professional degrees in Law and Medicine. The University is one of a select group of 50 American and Canadian universities chosen for membership in the prestigious Association of American Universities.

The University states as its purpose, "A university is a community of scholars having as its central purpose the enrichment of the human mind." The University places equal emphasis on the programs of instruction and research, both of which are essential in a comprehensive doctoral-degree granting institution.

Virginia Community College System

Location:	Richmond
President:	Dr. Johnas F. Hockaday
Total Faculty	1,840
Student Enrollment–	
Full Time:	29,887
Part Time:	93,199
Total Enrollment:	123,086

In an exuberant moment, New River Community College student Kenneth Hampton displays his feelings toward pending graduation.

In 1966, legislation was passed by the General Assembly to provide for the creation and maintenance of a Statewide system of comprehensive community colleges. At present, there are 23 individual colleges established to provide quality instruction at reasonable cost with public service programs to meet the educational needs of the localities served. Each of the 23 colleges serves a designated geographic region.

Eight programs which lead to Associate in Arts, Associate in Science, or Associate in Arts and Sciences degrees are offered as college transfer programs. Also, there are approximately 225 occupational/technical programs leading to the Associate in Applied Science degree or to certificates and diplomas.

The purpose of the VCCS is to provide all citizens in the Commonwealth access to postsecondary educational opportunities within a convenient commuting distance.

Virginia Military Institute

Location:	Lexington
President:	General Sam. S. Walker
Faculty–	
Tenured:	62
Non-Tenured:	31
Total Faculty:	93
Student Enrollment–	
Full Time:	1,310
Part Time:	0
Total Enrollment:	1,310

Cadets at retreat parade, a regular Friday afternoon event at VMI, open to the public. It is one of the State's most widely photographed events.

Founded in 1839, as the nation's first State military college, VMI is now the last classic military college in the nation. Twelve degree programs are offered in economics, English, history, modern languages, mathematics, biology, chemistry, computer science, physics, civil engineering, electrical engineering, and mechanical engineering.

In addition, all cadets must complete Reserve Officers Training Corps programs established and maintained by the U.S. Department of Defense. Successful completion of the programs may earn graduates armed forces commissions with an obligation for various combinations of active and reserve duty.

VMI, in a recent survey conducted by the National Association of College and University Business Officers, has the largest endowment per student among State-supported colleges and universities across the nation. Also, VMI ranks first in the land in percentage of graduates who contribute financially to their alma maters among all public colleges.

VMI's purpose is to combine the academic work of a full college curriculum within the regimen of military discipline.

Statistical Section

The financial presentations included in this section provide comparisons of economic and social characteristics and financial trends over a ten-year period. The statistical data presented are intended to give users of the financial statements, as well as the investment community, a better historical perspective and assessment of the current financial status and trends of the Commonwealth.

*****Statistical schedules related to property taxes are not presented since the Commonwealth does not assess property taxes.

Ten-Year Schedule of Revenues—Cash Basis All Funds[1] by Source

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Tax Revenues:										
Individual and Fiduciary Income	$ 2,757.9	$ 2,445.8	$ 2,174.3	$ 1,948.2	$ 1,770.7	$ 1,552.1	$ 1,446.1	$ 1,288.8	$ 1,103.0	$ 966.6
Sales and Use	1,392.5	1,174.9	1,023.0	930.6	835.5	723.7	670.5	645.2	594.9	534.7
Motor Fuels	496.0	436.1	311.6	331.5	326.9	310.6	314.6	311.4	279.9	292.1
Corporation Income	336.1	318.8	280.8	287.7	242.7	183.2	177.0	182.3	193.8	196.2
Public Service Corporations	152.1	145.5	135.0	138.4	121.5	118.5	105.6	104.1	105.3	96.4
Payroll—Unemployment Compensation	148.2	171.4	213.0	281.3	280.0	199.0	172.9	141.7	107.8	95.2
Motor Vehicle Sales and Use	270.3	212.2	151.9	132.2	116.5	88.0	73.3	67.7	64.3	72.3
Gross Premiums of Insurance Companies	180.5	158.5	131.2	108.6	97.0	87.1	84.4	80.1	76.5	73.3
Alcoholic Beverage—Sales Tax	56.7	57.4	61.8	57.4	55.7	44.8	45.5	42.6	39.7	36.7
Deeds, Contracts, Wills, and Suits	95.4	105.2	76.6	59.8	54.6	37.6	29.0	31.8	30.6	32.9
Beer and Beverage Excise	38.6	37.8	35.8	35.3	34.9	33.7	33.1	32.8	31.5	31.3
Estate	43.2	32.8	19.9	28.1	26.3	17.8	21.4	19.5	26.5	25.3
Tobacco Products	17.0	17.1	17.2	16.9	17.1	17.5	17.8	17.9	17.3	17.5
Capital Not Otherwise Taxed	—	.2	—	(.2)	11.1	11.7	15.1	13.4	13.1	10.9
Bank Stock	4.3	3.8	2.9	2.6	2.4	2.3	2.6	1.8	2.0	2.8
Wine and Spirits/ABC Liter	5.1	4.8	3.2	3.4	3.2	3.8	3.0	3.7	3.7	3.8
Gifts—Resident and Nonresident	—	—	—	.1	.1	.1	.4	.3	.8	1.0
Other Taxes	68.9	67.8	108.8	112.4	103.2	99.8	26.6	21.4	15.7	19.0
Total Tax Revenues	6,062.8	5,390.1	4,747.0	4,474.3	4,099.4	3,531.3	3,238.9	3,006.5	2,706.4	2,508.0
Other Revenues:										
Federal and Other Grants, Donations, and Federal Revenue Sharing	1,779.9	1,676.0	1,680.9	1,421.7	1,336.1	1,240.4	1,244.0	1,443.5	1,326.8	1,167.7
Institutional Revenue	1,291.1	1,165.7	1,048.3	933.8	856.5	734.7	669.7	589.0	511.9	438.2
Sales of Property and Commodities	259.8	346.1	259.8	250.0	250.1	261.5	258.0	247.2	235.0	217.8
Rights and Privileges	463.1	423.0	334.1	306.2	276.1	255.2	201.3	199.4	178.3	182.3
Interest, Dividends, and Rents	167.9	153.3	148.7	131.2	86.2	94.2	117.5	97.0	91.8	70.1
Fines, Forfeitures, Costs, Penalties, and Escheats	75.0	65.8	60.1	55.3	49.8	47.2	37.6	33.7	26.1	29.9
Assessments—Special Services	32.3	27.8	23.0	16.0	14.3	15.3	17.6	12.0	11.7	9.5
Other Revenues	283.6	235.6	188.3	161.6	146.6	123.7	134.5	173.5	125.9	156.3
Total Other Revenues	4,352.7	4,093.3	3,743.2	3,275.8	3,015.7	2,772.2	2,680.2	2,795.3	2,507.5	2,271.8
Total Revenues	$10,415.5	$ 9,483.4	$ 8,490.2	$ 7,750.1	$ 7,115.1	$ 6,303.5	$ 5,919.1	$ 5,801.8	$ 5,213.9	$ 4,779.8

(1) Includes all Governmental, Proprietary, and Higher Education Funds.
Source: Department of Accounts

Ten-Year Schedule of Expenditures—Cash Basis All Funds[1] by Function and Object

(Dollars in Millions)

	Fiscal Year Ended June 30,									
	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Expenditures by Function:										
Education	$ 3,538.9	$3,255.6	$2,961.1	$2,632.6	$2,356.7	$2,170.2	$2,048.9	$1,916.3	$1,722.0	$1,602.5
Administration of Justice	763.3	692.0	626.3	548.5	502.0	480.7	429.7	338.9	266.9	234.7
Individual and Family Services	2,837.3	2,572.7	2,387.0	2,191.3	2,058.0	2,043.9	1,991.6	1,853.0	1,594.4	1,372.8
Resources and Economic Development	290.3	267.4	223.6	199.7	173.6	165.2	156.0	144.5	125.9	114.1
Transportation	1,715.8	1,494.2	1,330.7	1,064.0	903.0	830.0	732.0	924.1	936.5	936.0
General Government	370.0	349.1	295.5	268.7	232.4	229.9	283.5	289.6	217.2	173.2
Enterprises	607.0	576.1	507.9	485.3	452.9	432.3	306.0	284.5	254.9	240.8
Capital Projects	255.5	198.3	170.0	145.8	170.6	177.7	147.7	157.9	146.3	108.9
Other	—	—	—	—	—	—	—	—	—	—
Total Expenditures	$10,378.1	$9,405.4	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0
Expenditures by Object:										
Personal Services	$ 2,977.6	$2,738.9	$2,473.0	$2,263.9	$2,033.5	$1,941.4	$1,911.2	$1,727.7	$1,623.3	$1,514.8
Medical and Other Contractual Services	1,670.8	1,440.2	1,296.7	1,148.4	1,066.0	954.5	1,060.9	930.0	830.2	735.7
Supplies and Materials	575.8	523.4	538.0	522.8	495.0	477.5	527.9	522.6	473.6	419.8
Grants and Distributions to Localities	3,766.6	3,467.3	3,058.2	2,704.9	2,476.9	2,406.3	1,922.7	1,916.5	1,557.5	1,401.4
Debt Service	56.8	62.7	60.8	62.4	37.2	46.4	54.9	51.7	45.4	39.7
Rent, Insurance, and Other Related Charges	287.8	245.3	236.5	196.8	181.6	174.5	111.5	108.4	102.3	97.2
Recoveries	—	—	—	—	—	—	(163.8)	(142.5)	(135.7)	(114.8)
Land, Equipment, and Other Fixed Assets	1,061.4	943.7	846.7	651.7	561.8	539.6	448.4	607.8	643.3	588.3
Trust Fund Expenditures	—	—	—	—	—	—	214.4	182.0	122.0	94.9
Other	(18.7)	(16.1)	(7.8)	(15.0)	(2.8)	(10.3)	7.3	4.6	2.2	6.0
Total Expenditures	$10,378.1	$9,405.4	$8,502.1	$7,535.9	$6,849.2	$6,529.9	$6,095.4	$5,908.8	$5,264.1	$4,783.0

As of July, 1982, recoveries no longer were given their own object code. Accordingly, for 1983 and subsequent years they are now included in each of the expenditure categories. Likewise, the Trust Fund Expenditures are now combined with Rent, Insurance, and Other Related Charges.

[1] Includes all Governmental, Proprietary, and Higher Education Funds.

Source: Department of Accounts

Computation of Legal Debt Limit and Margin

June 30, 1988

	Fiscal Year Ended June 30,		
	1988	1987	1986
Computation of Legal Debt Limit			
Taxes on Income and Retail Sales:			
Individual and Fiduciary Income Tax	$2,757,868,704	$2,445,816,992	$2,174,271,339
Corporate Income Tax	336,131,248	318,757,109	280,767,523
State Sales and Use Tax	1,192,100,607	1,105,717,625	1,023,048,043
Total	$4,286,100,559	$3,870,291,726	$3,478,086,905
Average for the three fiscal years		$3,878,159,730	
Debt Limit (1.15 times this average)		$4,459,883,689	

State General Obligation Debt for Capital Projects		
Debt Limit		$4,459,883,689
Bonds Outstanding:*		
Public Facilities Bonds—Series 1978		65,750,000
Debt Margin (remaining borrowing limit subject to additional borrowing restriction below)		$4,394,133,689
Additional Borrowing Restriction:		
Special Authorization Limit—25% of $4,459,883,689		$1,114,970,922
Total Special Authorization Limit (amount that could be authorized by the General Assembly in the 1989 Session)		$1,114,970,922
State Debt for Certain Revenue-Producing Capital Projects		
Debt Limit		$4,459,883,689
Bonds Outstanding:*		
Higher Educational Institutions Bonds—Series 1971	$ 7,000,000	
Higher Educational Institutions Bonds—Series 1973	6,705,000	
Higher Educational Institutions Bonds—Series 1976	10,325,000	
Higher Educational Institutions Bonds—Series 1979	10,670,000	
Higher Educational Institutions Bonds—Series 1981	4,137,000	
Higher Educational Institutions Bonds—Series 1982	10,420,000	
Higher Educational Institutions Bonds—Series 1983	59,205,000	
Higher Educational Institutions Bonds—Series 1984	28,895,000	
Higher Educational Institutions Bonds—Series 1985	22,990,000	
Higher Educational Institutions Bonds—Series 1986	37,795,000	
Higher Educational Institutions Bonds—Series 1988	6,885,000	
Transportation Facilities Bonds—Series 1986	78,000,000	
Transportation Facilities Bonds—Series 1987A	55,600,000	338,627,000
Debt Margin (remaining borrowing limit)		$4,121,256,689

* Bonds included on this schedule are only those which are backed by the full faith and credit of the Commonwealth.

Source: Department of Accounts

Ratio of General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

(Figures in Thousands)

For the Fiscal Year Ended June 30,	Population	General Obligation Debt	General Long-Term Debt Per Capita
1988	6,023	$ 65,750	$11
1987	5,948	72,325	12
1986	5,787	78,900	14
1985	5,706	85,475	15
1984	5,636	92,050	16
1983	5,556	104,425	19
1982	5,485	116,800	21
1981	5,436	129,175	24
1980	5,347	141,550	26
1979	5,325	154,000	29

Source: U.S. Department of Commerce, Bureau of the Census
Virginia Employment Commission
Department of Accounts

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total Expenditures All Governmental Fund Types

Last Eight Fiscal Years[1]

(Dollars in Thousands Except Ratio Data)

For the Fiscal Year Ended June 30,	Debt Service[2]	Total Expenditures[3]	Ratio
1988	$41,636	$7,487,567	.55%
1987	59,344	6,733,659	.88
1986	60,976	6,248,189	.98
1985	93,539	5,531,463	1.69
1984	54,933	5,012,860	1.10
1983	65,647	4,580,447	1.43
1982	36,689	4,223,735	.87
1981	25,441	4,238,159	.60

(1) Information is not available prior to 1981.

(2) Includes principal and interest payments related to general bonded long-term debt. Includes debt that does and does not bear the pledge of the full faith and credit of the Commonwealth. Debt service is total expenditures of Debt Service Fund.

(3) Includes General, Special Revenue, and Capital Projects Funds only.

Source: Department of Accounts

Schedule of Revenue Bond Coverage(1)
General Long-Term Debt

Last Ten Fiscal Years

(Dollars in Thousands Except Coverage)

For the Fiscal Year Ended June 30,	Total Receipts(2)	Authorized Payments(2)	Net Available for Debt Service(2)	Debt Service Requirements	Coverage(3)
1988	$20,584	$ 7,481	$13,103	$ 9,830	1.33
1987	19,704	2,793	16,911	8,878	1.90
1986	23,533	8,900	14,633	5,183	2.82
1985	25,099	12,962	12,137	5,183	2.34
1984	24,067	13,066	11,001	7,416	1.48
1983	22,116	10,647	11,469	4,824	2.38
1982	22,311	9,878	12,433	11,094	1.12
1981	21,325	7,667	13,658	10,413	1.31
1980	19,662	10,337	9,325	12,034	.77
1979	20,817	9,052	11,765	12,450	.94

(1) Coverage relates to 9(c) Transportation Bonds which are backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Total receipts are toll revenues and investment income. Authorized payments are expenditures for maintenance and administration of toll highways. The Net Available for Debt Service is Total Receipts minus Authorized Payments.

(3) Ideally, the coverage number would be 1.0 or higher. The weighted average for the years 1979 to 1988 is 1.43%.

Sources: Department of the Treasury

Schedule of Revenue Bond Coverage(1) Higher Education Long-Term Debt

Last Four Fiscal Years(2)

(Dollars in Thousands Except Coverage)

For the Fiscal Year Ended June 30,	Unrestricted Current Funds Beginning Balance(3)	Unrestricted Current Funds Operating Revenues(3)	Unrestricted Current Funds Expenditures and Transfers(3)	Net Available for Debt Service	Debt Service Requirements	Coverage
1988	$135,340	$1,081,038	$1,055,818	$160,560	$24,484	6.56
1987	108,004	994,324	966,988	135,340	24,662	5.49
1986	84,726	952,462	929,184	108,004	20,368	5.30
1985	83,090	891,392	895,036	79,446	18,200	4.37

(1) Coverage relates to Higher Education 9(c) Revenue Bonds which are backed by the full faith, credit, and taxing power of the Commonwealth.

(2) Information is not available prior to 1985.

(3) Taken from the Statement of Changes in Fund Balance of the Higher Education Fund.

Source: Department of Accounts

Schedule of Bank Deposits

Last Ten Years

(Dollars in Millions)

For the Year Ended December 31,	Bank Deposits[1]
1988	NA
1987	$43,751
1986	37,577
1985	34,757
1984	30,223
1983	27,100
1982	24,344
1981	21,704
1980	19,540
1979	18,757

(1) Includes only amounts deposited in insured commercial banks by corporations, governments, and individuals.
NA–Not available at this date.

Source: Federal Deposit Insurance Corporation

Eleven Largest Nonagricultural Industries

June 30, 1988

(Ranked by Average Number of Employees)

Industry	Average Number of Employees
Services	626,400
Wholesale and Retail Trade	610,000
Local Government	234,100
Manufacture of Nondurable Goods	227,500
Manufacture of Durable Goods	201,500
Construction	182,000
Federal Government	170,000
Financial, Insurance, and Real Estate	143,900
Transportation and Public Utilities	142,200
State Government	124,300
Mining	15,600

Source: Virginia Employment Commission (1987 data)

Schedule of Demographic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (In Thousands)	Per Capita Income	Public Primary and Secondary School Enrollment	Unemployment Rate
1988	6,023	$16,891	979,110	3.9%
1987	5,948	15,865	974,754	4.8
1986	5,787	14,976	968,104	5.5
1985	5,706	14,061	965,222	5.2
1984	5,636	12,977	966,110	5.1
1983	5,556	12,003	975,727	7.3
1982	5,485	11,298	989,548	6.9
1981	5,436	10,374	1,010,371	5.7
1980	5,347	9,257	1,031,403	4.7
1979	5,325	8,257	1,055,238	5.0

Sources: U.S. Department of Commerce, Bureau of the Census
Center for Public Service
Department of Taxation
Department of Education
Virginia Employment Commission
Department of Planning and Budget

Schedule of Miscellaneous Statistics

June 30, 1988	
Adoption of Virginia Constitution	1776
Form of Government	Legislative, Executive, Judicial
Land area (square miles)	40,767
Miles of State Highways	63,051
State Police Protection:	
Number of Stations	67
Number of State Police	1,567
Higher Education (Universities, Colleges, and Community Colleges):	
Number of Separate Institutions	39
Number of Educators	8,604
Number of Students	275,583
Recreation:	
Number of State Parks	36
Area of State Parks (acres)	53,344
Area of State Forests (acres)	50,275
Classified State Employees	88,087

Sources: Virginia State Library
Department of Transportation
Department of State Police
State Council of Higher Education
Division of Parks and Recreation
Department of Forestry
Department of Personnel and Training

Virginia Polytechnic Institute and State University

Location:	Blacksburg
President:	Dr. James D. McComas
Faculty–	
Tenured:	1,041
Non-Tenured:	466
Total Faculty:	1,507*
Student Enrollment–	
Full Time:	21,392
Part Time:	3,585
Total Enrollment:	24,977

* Full-time instructional.

Burruss Hall, with its unique neo-gothic architecture is a focal point in the middle of the campus.

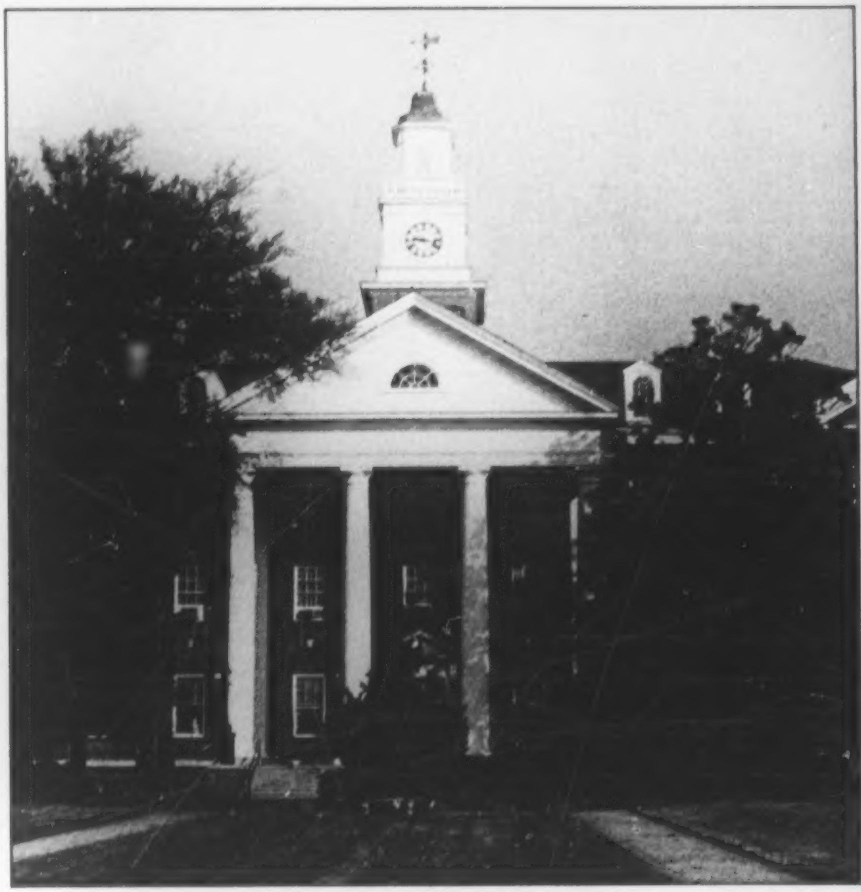
Founded in 1872, under the provisions of the Morrill Act, VPI&SU is the State's first "land-grant college." This historic legislation authorized endowment funds from the sale of public lands for the support of a college in each state to teach agriculture, mechanical sciences, and military tactics, as well as other "scientific and classical studies."

The university has seven undergraduate colleges with courses of study in 77 areas. Graduate programs offer master's degrees in 81 different programs or disciplines and doctoral degrees in 71. In addition, the Doctor of Veterinary Medicine degree is offered through the Virginia–Maryland Regional College of Veterinary Medicine. The Virginia Tech Extension Department is located in 107 county and city units throughout the Commonwealth.

The VPI&SU campus is located between the Blue Ridge and Allegheny Mountains and covers about 2,600 acres. While VPI&SU was primarily a technical college from 1872 until 1945, today it is a research university with nationally known programs in instruction, extension, and research.

Virginia State University

Location:	Petersburg
President:	Dr. Wesley C. McClure
Faculty–	
Tenured:	91
Non-Tenured:	109
Total Faculty:	200
Student Enrollment–	
Full Time:	2,938
Part Time:	953
Total Enrollment:	3,891



Virginia Hall, the second administration building designed for Virginia State University, houses the business administrative offices of the institution.

Virginia State University was founded on March 6, 1882, by passage of a bill sponsored by Delegate Alfred W. Harris, a black attorney who represented Dinwiddie County in the General Assembly. The institution was originally known as the Virginia Normal and Collegiate Institute. On May 20, 1887, the General Assembly standardized the curricula of the normal and collegiate courses. On March 29, 1902, the Assembly eliminated the college department and changed the name of the institute to Virginia Normal and Industrial Institute. The college department was restored in 1922, and in 1930, legislation changed the name to the Virginia State College for Negroes. In 1946, the name of the institution was changed to Virginia State College and in 1979, to Virginia State University.

Situated on a scenic site overlooking the Appomattox River, VSU is one of two land-grant colleges in Virginia. John Mercer Langston, one of the best known blacks of his day, and the only black elected to the United States' Congress from Virginia, was the institution's first president.

The University consists of seven schools, offers 33 bachelor's degree programs, 19 Master Degree programs, and one Certificate of Advanced Graduate Studies.